

**VALLEY CLEAN ENERGY ALLIANCE****Staff Report – Item 5**

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**TO:** Board of Directors

**FROM:** Mitch Sears, Executive Director  
Edward Burnham, Finance and Operations Director

**SUBJECT:** Financial Update – September 30, 2023 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2023

**DATE:** November 9, 2023

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**RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of September 1, 2023 to September 30, 2023 (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2023.

**BACKGROUND & DISCUSSION:**

The attached financial statements are prepared in a form to satisfy the debt covenants with River City Bank pursuant to the Line of Credit and are required to be prepared monthly.

The Financial Statements include the following reports:

- Statement of Net Position
- Statement of Revenues, Expenditures and Changes in Net Position
- Statement of Cash Flows

In addition, Staff is reporting the Actual vs. Budget variances year to date ending September 30, 2023.

**Financial Statements for the period September 1, 2023 – September 30, 2023**

In the Statement of Net Position, VCE, as of September 30, 2023, has a total of \$17,595,420 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,800,000 restricted assets related to supplier deposits, and \$2,588,904 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of September 30, 2023 a total of \$9,987. VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$134,550 and a long-term portion of 181,284. On September 30, 2022, VCE's net position was \$22,140,585.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded \$ 8,892,110 of revenue (net of allowance for doubtful accounts), of which \$11,012,340 was billed in September, and \$4,297,193 represent estimated unbilled revenue. The cost of electricity for the September revenue totaled \$8,781,428. For September, VCE's gross margin was approximately 1% and the net income totaled \$348,274. The year-to-date change in net position was 11,565,170.

In the Statement of Cash Flows, VCE cash flows from operations were \$4,470,340 due to September cash receipts of revenues being more than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending September 30, 2023

Below are the financial statement line items with variances >\$50,000 and 5%

- Electric Revenue – (\$8,494,066) and -10% – Unfavorable variance due to revenue model (January-2023) and retail load variance lower than forecasted due to mild winter and spring.
- Purchased Power – \$2,032,422 and 4% – Favorable variance due to gas prices driving short-term power market increases during winter off-set by lower load than forecasted.
- Wholesale Energy Services – (\$329,340) and 44% unfavorable variance related to the transition of services to TEA starting in Q123 budgeted for Q223.
- Credit Support Services (SMUD) – \$101,327 and 40% favorable variance related to lower retail load than forecasted due to mild winter and summer.
- Operational Support Services (SMUD) – (\$90,329) and -188% unfavorable variance related to Percentage of Income Payment Plan (PIPP) program implementation, bill presentment, and base green rate implementation.
- Legal General Counsel – \$105,320 and 88% favorable variance related to lower operational support requirements than budgeted.
- Strategic Plan Implementation – \$73,947 or 68% favorable variance due to timing difference.
- Contingency – (\$160,00) and (100%) – favorable variance to budget is due to not having a need yet to utilize the contingency funds set aside in the budget.

#### **Attachments:**

- 1) Financial Statements (Unaudited) September 1, 2023 to September 30, 2023 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending September 30, 2023



**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2023**

**PREPARED ON NOVEMBER 3, 2023**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2023**  
(UNAUDITED)

**ASSETS**

Current assets:

Cash and cash equivalents	\$	17,595,420
Accounts receivable, net of allowance		14,886,596
Accrued revenue		(21,664)
Prepaid expenses		94,123
Other current assets and deposits		2,227,703
<b>Total current assets</b>		<u>34,782,178</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		2,588,904
<b>Total restricted assets</b>		<u>3,688,904</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>38,471,082</u></b>

**LIABILITIES**

Current liabilities:

Accounts payable	\$	366,866
Accrued payroll		60,116
Interest payable		1,108
Due to member agencies		9,987
Accrued cost of electricity		6,860,212
Other accrued liabilities		2,028,688
Security deposits - energy supplies		1,800,000
User taxes and energy surcharges		52,567
Limited Term Loan		134,550
<b>Total current liabilities</b>		<u>11,314,094</u>

Noncurrent liabilities

Term Loan- RCB		181,284
<b>Total noncurrent liabilities</b>		<u>181,284</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>11,495,378</u></b>

**NET POSITION**

Net position:

Local Programs Reserve	\$	224,500
Restricted		3,688,904
Unrestricted		23,062,300
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>26,975,704</u></b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF SEPTEMBER 1, 2023 TO SEPTEMBER 30, 2023**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD ENDING SEPTEMBER 30, 2023</b>	<b>YEAR TO DATE</b>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 8,892,110	\$ 69,885,077
Other revenue	-	631,219
<b>TOTAL OPERATING REVENUES</b>	<b>8,892,110</b>	<b>70,516,295.78</b>
<b>OPERATING EXPENSES</b>		
Cost of electricity	8,781,428.00	54,074,363.61
Contract services	211,023.00	2,468,338.14
Staff compensation	120,796.00	1,063,927.35
General, administration, and other	161,132.37	1,520,857.61
<b>TOTAL OPERATING EXPENSES</b>	<b>9,274,379.37</b>	<b>59,127,486.71</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>(382,269.00)</b>	<b>11,388,809.00</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	35,103	189,791
Interest and related expenses	(1,108)	(13,431)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>33,995</b>	<b>176,360</b>
<b>CHANGE IN NET POSITION</b>	<b>(348,274)</b>	<b>11,565,170</b>
Net position at beginning of period	27,323,978	15,410,534
Net position at end of period	<b>\$ 26,975,704</b>	<b>\$ 26,975,704</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2023**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2023</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 11,336,842.00	\$ 69,539,329.78
Payments received from other revenue sources	-	631,219
Payments to purchase electricity	(6,276,465)	(51,823,177)
Payments for contract services, general, and administration	(474,234)	(3,294,419)
Payments for staff compensation	(115,803)	(1,120,096)
Other cash payments	-	(268,507)
<b>Net cash provided (used) by operating activities</b>	<u>4,470,340</u>	<u>13,932,857</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Principal payments of Debt	(44,558)	(215,134)
Interest and related expenses	(1,107)	(14,566)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(45,665)</u>	<u>(229,700)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
<b>Net cash provided (used) by capital and related financing activities</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	35,103	189,790
<b>Net cash provided (used) by investing activities</b>	<u>35,103</u>	<u>189,790</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	4,459,778	13,624,440
<b>Cash and cash equivalents at end of period</b>	<u>16,824,546</u>	<u>70,769,086</u>
	<u>21,284,324</u>	<u>84,393,526</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	17,595,420	17,595,420
Restricted assets	3,688,904	3,688,904
<b>Cash and cash equivalents at end of period</b>	<u>\$ 21,284,324.00</u>	<u>\$ 21,284,324.00</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2023**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2023</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (382,269)	\$ 11,388,809
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		
(Increase) decrease in net accounts receivable	163,436	(3,801,509)
(Increase) decrease in accrued revenue	2,265,479	3,452,061
(Increase) decrease in prepaid expenses	14,154	(94,123)
(Increase) decrease in other assets and deposits	-	(268,507)
Increase (decrease) in accounts payable	16,466	(32,667)
Increase (decrease) in accrued payroll	4,993	(56,169)
Increase (decrease) in due to member agencies	650	(196,457)
Increase (decrease) in accrued cost of electricity	2,504,963	2,251,187
Increase (decrease) in other accrued liabilities	(133,349)	1,018,024
Increase (decrease) in user taxes and energy surcharges	15,817	3,701
<b>Net cash provided (used) by operating activities</b>	<u>\$ 4,470,339.63</u>	<u>\$ 13,664,350.07</u>

**VALLEY CLEAN ENERGY**  
**2023 YTD ACTUAL VS. BUDGET**  
**FOR THE YEAR TO DATE ENDING 09/30/23**

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 74,203,934	\$ 82,698,000	\$ (8,494,066)	-10%
Other Revenues - Programs	\$ 631,219	\$ 495,000	\$ 136,219	28%
Interest Revenues	\$ 189,790	\$ 31,500	\$ 158,290	503%
<b>Purchased Power</b>	<b>\$ 53,998,578</b>	<b>\$ 56,031,000</b>	<b>\$ 2,032,422</b>	<b>4%</b>
Purchased Power Base	\$ 53,998,578	\$ 53,362,000	\$ (636,578)	-1%
Purchased Power Contingency 2%	\$ -	\$ 2,669,000	\$ 2,669,000	100%
<b>Labor &amp; Benefits</b>	<b>\$ 1,065,643</b>	<b>\$ 1,081,800</b>	<b>\$ 16,157</b>	<b>1%</b>
Salaries & Wages/Benefits	\$ 862,082	\$ 900,000	\$ 37,918	4%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 22,500	\$ 22,500	100%
Human Resources & Payroll	\$ 203,561	\$ 159,300	\$ (44,261)	-28%
<b>Office Supplies &amp; Other Expenses</b>	<b>\$ 197,924</b>	<b>\$ 159,600</b>	<b>\$ (38,324)</b>	<b>-24%</b>
Technology Costs	\$ 34,278	\$ 32,700	\$ (1,578)	-5%
Office Supplies	\$ 8,674	\$ 1,800	\$ (6,874)	-382%
Travel	\$ 15,621	\$ 4,500	\$ (11,121)	-247%
CalCCA Dues	\$ 96,768	\$ 99,900	\$ 3,132	3%
CC Power	\$ 41,029	\$ 18,900	\$ (22,129)	-117%
Memberships	\$ 1,555	\$ 1,800	\$ 245	14%
<b>Contractual Services</b>	<b>\$ 2,295,629</b>	<b>\$ 2,164,700</b>	<b>\$ (130,929)</b>	<b>-6%</b>
Other Contract Services	\$ -	\$ 19,800	\$ 19,800	100%
Don Dame	\$ 3,276	\$ 8,100	\$ 4,824	60%
SMUD - Credit Support	\$ 153,073	\$ 254,400	\$ 101,327	40%
SMUD - Wholesale Energy Services	\$ 1,078,240	\$ 748,900	\$ (329,340)	-44%
SMUD - Call Center	\$ 644,138	\$ 626,800	\$ (17,338)	-3%
SMUD - Operating Services	\$ 138,329	\$ 48,000	\$ (90,329)	-188%
Commercial Legal Support	\$ 26,876	\$ 22,500	\$ (4,376)	-19%
Legal General Counsel	\$ 17,080	\$ 122,400	\$ 105,320	86%
Regulatory Counsel	\$ 109,896	\$ 157,500	\$ 47,604	30%
Joint CCA Regulatory counsel	\$ 25,719	\$ 25,200	\$ (519)	-2%
Legislative - (Lobbyist)	\$ 49,500	\$ 49,500	\$ -	0%
Accounting Services	\$ 10,542	\$ 21,600	\$ 11,058	51%
Financial Consultant	\$ -	\$ 31,500	\$ 31,500	100%
Audit Fees	\$ 38,960	\$ 28,500	\$ (10,460)	-37%
<b>Marketing</b>	<b>\$ 240,071</b>	<b>\$ 198,000</b>	<b>\$ (42,071)</b>	<b>-21%</b>
Marketing Collateral	\$ 209,289	\$ 189,000	\$ (20,289)	-11%
Community Engagement Activities & Sponsorships	\$ 30,782	\$ 9,000	\$ (21,782)	-242%
<b>Program Costs</b>	<b>\$ 890,806</b>	<b>\$ 625,500</b>	<b>\$ (265,306)</b>	<b>-42%</b>
Program Costs	\$ 124,301	\$ 130,500	\$ 6,199	5%
Programs - EV	\$ 115,105	\$ -	\$ (115,105)	100%
Programs - AgFIT	\$ 642,428	\$ 495,000	\$ (147,428)	-30%
Programs - Heat Pump	\$ 8,972	\$ -	\$ (8,972)	100%
<b>Rents &amp; Leases</b>	<b>\$ 21,426</b>	<b>\$ 19,800</b>	<b>\$ (1,626)</b>	<b>-8%</b>
Hunt Boyer Mansion	\$ 21,426	\$ 19,800	\$ (1,626)	-8%
<b>Other A&amp;G</b>	<b>\$ 342,129</b>	<b>\$ 415,250</b>	<b>\$ 73,121</b>	<b>18%</b>
Development - New Members	\$ -	\$ 18,900	\$ 18,900	100%
Strategic Plan Implementation	\$ 34,053	\$ 108,000	\$ 73,947	68%
PG&E Data Fees	\$ 198,748	\$ 207,000	\$ 8,252	4%
Insurance	\$ 26,460	\$ 8,550	\$ (17,910)	-209%
Banking Fees	\$ 82,868	\$ 72,800	\$ (10,068)	-14%
<b>Miscellaneous Operating Expenses</b>	<b>\$ 2,311</b>	<b>\$ 600</b>	<b>\$ (1,711)</b>	<b>-285%</b>
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 59,054,517</b>	<b>\$ 60,716,250</b>	<b>\$ 1,661,733</b>	<b>3%</b>
Interest on RCB loan	\$ 13,431	\$ 14,800	\$ (1,369)	-9%
Interest Expense - Bridge Loan	\$ -	\$ 40,000	\$ (40,000)	-100%
<b>NET INCOME</b>	<b>\$ 15,956,995</b>	<b>\$ 22,453,450</b>	<b>\$ (6,496,455)</b>	<b>-29%</b>