

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Finance and Operations Director

SUBJECT: Financial Update – April 30, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 2020

DATE: June 11, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of April 1, 2020 to April 30, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending April 30, 2020.

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 April 30, 2020.

Financial Statements for the period April 1, 2020 – April 30, 2020

In the Statement of Net Position, VCEA as of April 30, 2020 has a total of \$12,427,018 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,167,188 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of April 30, 2020 \$133,829 and \$322,211 respectively for a grand total of \$456,040. VCEA began paying SMUD for the monthly operating expenditures (starting with January 2018 expenditures) and repayment of the deferred amount of \$1,522,433 over a 24-month period. VCEA began paying the Member agencies for the quarterly reimbursable expenditures starting in June 2019 and repayment of the deferred amount of \$556,188 over a 12-month period.

The term loan with River City Bank includes a current portion of \$395,322 and a long-term portion of \$1,416,571 as of April 30, 2020, for a total of \$1,811,893. On April 30, 2020, VCE's net position is \$12,997,940.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,072,572 of revenue (net of allowance for doubtful accounts) of which \$3,434,773 was billed in April and (\$266,456) represent estimated unbilled revenue. The cost of the electricity for the April revenue totaled \$2,902,458. For April, VCEA's gross margin is approximately 6% and operating income totaled (\$169,690). The year-to-date change in net position was \$5,669,107.

In the Statement of Cash Flows, VCEA cash flows from operations was \$221,247 due to April cash receipts of revenues being higher than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending April 30, 2020

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

- Salaries & Wages/Benefits - (\$170,288) and (33%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff for the majority of the fiscal year.
- SMUD Credit Support - (\$70,950) and (15%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.
- SMUD Operating Services - (\$103,107) and (38%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.
- Legal - (\$63,554) and (45%) – variance is due to lower than planned general legal support from member agencies and outside counsel.
- PG&E Acquisition Consulting - \$176,380 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.
- Marketing Collateral - \$62,280 and 33% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end
- New Member Expenses - (\$50,000) and (100%) – this amount was budgeted as a placeholder for expenses related to bringing new member jurisdictions into VCE. To date, any spending in these areas has been incorporated into other budget line items, such as SMUD and marketing-related line items.

- Contingency - (\$191,907) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$176,380 of PG&E acquisition-related expenses.

Attachments:

1. Financial Statements (Unaudited) April 1, 2020 to April 30, 2020 (with comparative year to date information.)
2. Actual vs. Budget for year to date ending April 30, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2020

PREPARED ON MAY 30, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
April 30, 2020
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$	12,427,018
Accounts receivable, net of allowance		3,350,223
Accrued revenue		1,461,574
Prepaid expenses		19,410
Inventory - Renewable Energy Credits		
Other current assets and deposits		2,540
Total current assets		17,260,765
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,167,188
Total restricted assets		2,267,188
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	19,627,953

LIABILITIES

Current liabilities:		
Accounts payable	\$	595,721
Accrued payroll		8,597
Interest payable		6,149
Due to member agencies		133,829
Accrued cost of electricity		2,887,951
Other accrued liabilities		609,955
Security deposits - energy supplies		515,640
User taxes and energy surcharges		60,278
Current Portion of LT Debt		395,322
Total current liabilities		5,213,442
Noncurrent liabilities		
Term Loan- RCB		1,416,571
Total noncurrent liabilities		1,416,571
TOTAL LIABILITIES	\$	6,630,013

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,267,188
Unrestricted		10,593,854
TOTAL NET POSITION	\$	12,997,940

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF APRIL 1, 2020 TO APRIL 30, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING APRIL 30, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,072,572	\$ 43,544,952
TOTAL OPERATING REVENUES	3,072,572	43,544,952
OPERATING EXPENSES		
Cost of electricity	2,902,458	34,179,214
Contract services	186,554	2,430,399
Staff compensation	94,944	867,436
General, administration, and other	58,306	392,288
TOTAL OPERATING EXPENSES	3,242,262	37,869,337
TOTAL OPERATING INCOME (LOSS)	(169,690)	5,675,615
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,478	80,475
Interest and related expenses	(6,035)	(86,983)
TOTAL NONOPERATING REVENUES (EXPENSES)	3,443	(6,508)
CHANGE IN NET POSITION	(166,247)	5,669,107
Net position at beginning of period	13,164,187	7,328,833
Net position at end of period	\$ 12,997,940	\$ 12,997,940

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING APRIL 30, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,203,813	\$ 48,026,971
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(2,509,391)	(36,294,751)
Payments for contract services, general, and administration	(378,143)	(3,583,679)
Payments for staff compensation	(95,032)	(862,628)
Net cash provided (used) by operating activities	221,247	7,801,553
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,943)	(164,717)
Interest and related expenses	(6,316)	(193,146)
Net cash provided (used) by non-capital financing activities	(39,259)	(1,857,863)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,478	80,475
Net cash provided (used) by investing activities	9,478	80,475
NET CHANGE IN CASH AND CASH EQUIVALENTS	191,466	6,024,165
Cash and cash equivalents at beginning of period	14,502,740	8,670,041
Cash and cash equivalents at end of period	\$ 14,694,206	\$ 14,694,206
Cash and cash equivalents included in:		
Cash and cash equivalents	12,427,018	12,427,018
Restricted assets	2,267,188	2,267,188
Cash and cash equivalents at end of period	\$ 14,694,206	\$ 14,694,206

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF APRIL 1 TO APRIL 30, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING APRIL 30, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (169,690)	\$ 5,675,615
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(149,833.00)	1,645,050.00
(Increase) decrease in accrued revenue	267,539	2,834,139.00
(Increase) decrease in prepaid expenses	(17,952)	(19,410.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	(108,321)	9,601.00
Increase (decrease) in accrued payroll	(88)	4,808.00
Increase (decrease) in due to member agencies	14,939	(276,480.00)
Increase (decrease) in accrued cost of electricity	393,067	(2,322,705.00)
Increase (decrease) in other accrued liabilities	(21,949)	(474,703.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	13,535	2,830.00
Net cash provided (used) by operating activities	<u>\$ 221,247</u>	<u>\$ 7,801,553</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 04-30-20

Description	4/30/2020	4/30/2020	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 43,544,950	\$ 44,130,872	\$ (585,922)	-1%
Interest Revenues	80,474	107,185	(26,711)	-25%
Purchased Power	34,179,215	33,910,337	268,877	1%
Labor & Benefits	867,439	985,233	(117,795)	-12%
Salaries & Wages/Benefits	339,860	510,148	(170,288)	-33%
Contract Labor	494,316	464,585	29,731	6%
Human Resources & Payroll	33,263	10,500	22,763	217%
Office Supplies & Other Expenses	110,733	106,584	4,149	4%
Technology Costs	9,684	7,720	1,964	25%
Office Supplies	4,075	1,030	3,045	296%
Travel	4,449	4,000	449	11%
CalCCA Dues	90,800	90,833	(33)	0%
Memberships	1,725	3,000	(1,275)	-43%
Contractual Services	2,430,349	2,448,073	(17,724)	-1%
Don Dame	12,278	15,000	(2,723)	-18%
SMUD - Credit Support	418,160	489,110	(70,950)	-15%
SMUD - Wholesale Energy Services	470,120	470,120	-	0%
SMUD - Call Center	553,263	566,957	(13,695)	-2%
SMUD - Operating Services	166,893	270,000	(103,107)	-38%
Legal	76,446	140,000	(63,554)	-45%
Regulatory Counsel	140,876	154,400	(13,524)	-9%
Joint Regulatory	38,420	25,000	13,420	54%
Legislative	50,000	50,000	-	0%
Accounting Services	13,249	20,000	(6,751)	-34%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	176,380	-	176,380	100%
Marketing Collateral	251,266	188,986	62,280	33%
Rents & Leases	15,933	14,677	1,256	9%
Hunt Boyer Mansion	15,933	14,677	1,256	9%
Other A&G	236,167	278,467	(42,300)	-15%
PG&E Data Fees	212,457	216,335	(3,878)	-2%
Community Engagement Activities & Sponsorships	2,826	5,000	(2,174)	-43%
Insurance	4,385	6,132	(1,747)	-28%
New Member Expenses	-	50,000	(50,000)	-100%
Banking Fees	16,500	1,000	15,500	1550%
Miscellaneous Operating Expenses	29,499	5,110	24,389	477%
Contingency	-	191,907	(191,907)	-100%
TOTAL OPERATING EXPENSES	\$ 37,869,335	\$ 37,940,388	\$ (71,053)	0%
Interest Expense - Munis	14,965	46,384	(31,419)	-68%
Interest on RCB loan	60,798	71,910	(11,113)	-15%
Interest Expense - SMUD	11,219	12,278	(1,058)	-9%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 5,669,107	\$ 6,167,098	\$ (497,991)	-8%