

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**TO:** Valley Clean Energy Alliance Board of Directors

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

**SUBJECT:** Financial Update – August 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2020

**DATE:** October 8, 2020

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### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of August 1, 2020 to August 31, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 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 August 31, 2020.

### Financial Statements for the period August 1, 2020 – August 31, 2020

In the Statement of Net Position, VCEA as of August 31, 2020 has a total of \$13,700,229 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,425,866 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2020 \$158,361 and \$64,657 respectively for a grand total of \$223,018. 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 \$1,284,797 as of August 31, 2020, for a total of \$1,680,119. At August 31, 2020, VCE's net position is \$16,360,289.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,965,536 of revenue (net of allowance for doubtful accounts) of which \$6,513,123 was billed in August and \$516,037 represent estimated unbilled revenue. The cost of the electricity for the August revenue totaled \$7,076,740. For August, VCEA's gross margin is approximately -2% and the operating loss totaled (\$525,838). The year-to-date change in net position was (\$227,397).

In the Statement of Cash Flows, VCEA cash flows from operations was (\$728,861) due to August cash receipts of revenues being lower than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending August 31, 2020

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

Electric Revenue - \$909,681 and 7% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated.

Purchased Power - \$1,050,902 and 9% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated.

#### **Attachments:**

- 1) Financial Statements (Unaudited) August 1, 2020 to August 31, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending August 31, 2020



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**

**PREPARED ON OCTOBER 2, 2020**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
August 31, 2020  
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)  
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)  
(UNAUDITED)

**ASSETS**

Current assets:

Cash and cash equivalents	\$	13,700,229
Accounts receivable, net of allowance		7,427,374
Accrued revenue		3,069,118
Prepaid expenses		11,886
Inventory - Renewable Energy Credits		1,698,800
Other current assets and deposits		2,540
<b>Total current assets</b>		<u>25,909,947</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,425,866
<b>Total restricted assets</b>		<u>2,525,866</u>

Noncurrent assets:

Other noncurrent assets and deposits		100,000
<b>Total noncurrent assets</b>		<u>100,000</u>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u>28,535,813</u></b>

**LIABILITIES**

Current liabilities:

Accounts payable	\$	718,887
Accrued payroll		17,165
Interest payable		4,406
Due to member agencies		158,361
Accrued cost of electricity		8,710,818
Other accrued liabilities		406,985
Security deposits - energy supplies		421,140
User taxes and energy surcharges		57,643
Current Portion of LT Debt		395,322
<b>Total current liabilities</b>		<u>10,890,727</u>

Noncurrent liabilities

Term Loan- RCB		1,284,797
Loans from member agencies		
<b>Total noncurrent liabilities</b>		<u>1,284,797</u>
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b><u>12,175,524</u></b>

**NET POSITION**

Restricted		
Local Programs Reserve		136,898
Restricted		2,525,866
Unrestricted		13,697,525
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b><u>16,360,289</u></b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF AUGUST 1, 2020 TO AUGUST 31, 2020**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>AUGUST 31, 2020</u>	<u>YEAR TO DATE</u>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 6,965,536	\$ 13,977,811
Public purpose program revenue		
Other revenue		
<b>TOTAL OPERATING REVENUES</b>	<u>6,965,536</u>	<u>13,977,811</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	7,076,740	13,374,592
Contract services	283,088	568,682
Staff compensation	89,282	186,814
General, administration, and other	42,264	77,327
<b>TOTAL OPERATING EXPENSES</b>	<u>7,491,374</u>	<u>14,207,415</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	(525,838)	
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	6,102	13,176
Interest and related expenses	(5,380)	(10,969)
<b>TOTAL NONOPERATING REVENUES</b>		
<b>(EXPENSES)</b>	<u>722</u>	<u>2,207</u>
<b>CHANGE IN NET POSITION</b>	(525,116)	(227,397)
Net position at beginning of period	16,885,403	16,587,684
Net position at end of period	<u>\$ 16,360,287</u>	<u>\$ 16,360,287</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING AUGUST 31, 2020</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 6,109,375	\$ 12,412,097
Receipts for security deposits with energy suppliers	(94,500)	(94,500)
Payments to purchase electricity	(6,296,192)	(10,954,001)
Payments for contract services, general, and administration	(356,795)	(708,347)
Payments for staff compensation	(90,749)	(181,453)
<b>Net cash provided (used) by operating activities</b>	<u>(728,861)</u>	<u>473,796</u>
 <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies		
Draw of line of credit		
Transfer to restricted cash		
Principal payments of Debt	(32,943)	(65,887)
Interest and related expenses	(5,481)	(10,998)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(38,424)</u>	<u>(76,885)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	6,102	13,176
<b>Net cash provided (used) by investing activities</b>	<u>6,102</u>	<u>13,176</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(761,183)	410,087
Cash and cash equivalents at beginning of period	16,987,276	15,816,006
<b>Cash and cash equivalents at end of period</b>	<u>\$ 16,226,093</u>	<u>\$ 16,226,093</u>
 Cash and cash equivalents included in:		
Cash and cash equivalents	13,700,229	13,700,229
Restricted assets	2,525,866	2,525,866
<b>Cash and cash equivalents at end of period</b>	<u>\$ 16,226,095</u>	<u>\$ 16,226,095</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING AUGUST 31, 2020</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (525,838)	\$ (229,604)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(311,928.00)	(1,467,163.00)
(Increase) decrease in accrued revenue	(517,655)	(95,923.00)
(Increase) decrease in prepaid expenses	10,011	(11,261.00)
(Increase) decrease in inventory - renewable energy credits	(1,698,800)	(1,698,800.00)
Increase (decrease) in accounts payable	2,990	76,487.00
Increase (decrease) in accrued payroll	(1,467)	5,361.00
Increase (decrease) in due to member agencies	19,895	41,895.00
Increase (decrease) in accrued cost of electricity	2,479,348	4,119,391.00
Increase (decrease) in other accrued liabilities	(64,339)	(169,459.00)
Increase (decrease) security deposits with energy suppliers	(94,500)	(94,500)
Increase (decrease) in user taxes and energy surcharges	(26,578)	(2,628.00)
<b>Net cash provided (used) by operating activities</b>	<u>\$ (728,861)</u>	<u>\$ 473,796</u>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2021**  
**FOR THE YEAR TO DATE ENDING 08-31-20**

Description	8/31/2021	8/31/2021	YTD
	YTD	YTD	Variance
	FY2021 Actuals	FY2021 Budget	
Electric Revenue	\$ 13,977,811	\$ 13,068,130	\$ 909,681
Interest Revenues	13,175	14,233	(1,058)
Purchased Power	13,374,592	12,323,690	1,050,902
Labor & Benefits	186,813	204,258	(17,445)
Salaries & Wages/Benefits	126,099	119,908	6,191
Contract Labor	46,666	68,285	(21,619)
Human Resources & Payroll	14,048	16,064	(2,016)
Office Supplies & Other Expenses	27,677	24,471	3,206
Technology Costs	8,439	3,583	4,856
Office Supplies	50	384	(334)
Travel	-	1,016	(1,016)
CalCCA Dues	19,188	19,189	(1)
Memberships	-	300	(300)
Contractual Services	570,907	573,901	(2,994)
LEAN Energy	2,225	4,000	(1,775)
Don Dame	525	1,667	(1,142)
SMUD - Credit Support	125,333	130,613	(5,280)
SMUD - Wholesale Energy Services	95,944	96,093	(149)
SMUD - Call Center	120,843	119,931	912
SMUD - Operating Services	96,055	90,000	6,055
Legal Bankruptcy	-	4,100	(4,100)
Legal General Counsel	5,697	24,600	(18,903)
Regulatory Counsel	46,896	31,652	15,244
Joint CCA Regulatory counsel	1,771	5,125	(3,354)
Legislative	10,000	10,250	(250)
Accounting Services	4,095	4,100	(5)
Audit Fees	23,385	13,838	9,548
PG&E Acquisition Consulting	945	-	945
Marketing Collateral	37,193	37,933	(740)
Rents & Leases	5,791	2,896	2,895
Hunt Boyer Mansion	5,791	2,896	2,895
Other A&G	41,515	55,267	(13,752)
PG&E Data Fees	40,145	48,780	(8,635)
Community Engagement Activities & Sponsorships	536	1,025	(489)
Insurance	834	1,257	(423)
New Member Expenses	-	4,000	(4,000)
Banking Fees	-	205	(205)
Program Costs	-	-	-
Miscellaneous Operating Expenses	119	1,048	(929)
Contingency	-	43,092	(43,092)
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 14,207,414</b>	<b>\$ 13,228,622</b>	<b>\$ 978,792</b>
Interest Expense - Munis	-	-	-
Interest on RCB loan	10,431	10,461	(30)
Interest Expense - SMUD	538	538	-
<b>NET INCOME</b>	<b>\$ (227,397)</b>	<b>\$ (157,259)</b>	<b>\$ (70,138)</b>