

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Board of Directors

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

SUBJECT: Financial Update – August 31, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2022

DATE: August 31, 2022

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of August 1, 2022 to August 31, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2022.

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, 2022.

Financial Statements for the period August 1, 2022 – August 31, 2022

In the Statement of Net Position, VCEA, as of August 31, 2021, has a total of \$4,107,992 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$1,025,127 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of August

31, 2021, \$62,955. 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 \$884,987. The line of credit with the County of Yolo has an outstanding balance of \$3,000,000. On August 31, 2022, VCE's net position is \$14,980,296.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$11,509,634 of revenue (net of allowance for doubtful accounts), of which \$12,181,117 was billed in August, and \$5,892,160 represent estimated unbilled revenue. The cost of electricity for the August revenue amount totaled \$9,605,351. For August, VCEA's gross margin was approximate 25% and net income totaled \$1,298,621. The year-to-date change in net position was \$5,292,424.

In the Statement of Cash Flows, VCEA cash flows from operations were (\$186,459) due to August cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending August 31, 2022

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

- Electric Revenue – (\$2,850,941) and -5% – Unfavorable variance due to The 2022 Budget incorporated revenues associated with extreme temperatures and drought conditions. These revenues have not fully materialized in the actuals for 2022.
- Purchased Power – (\$3,819,961) and -8% – Unfavorable variance due to warmer weather than forecast during the winter months, heat storms in June and August, and gas prices driving short-term power market increases.

Attachments:

- 1) Financial Statements (Unaudited) August 1, 2022 to August 31, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending August 31, 2022



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2022

PREPARED ON OCTOBER 7, 2022

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
August 31, 2022
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	4,107,992
Accounts receivable, net of allowance		15,614,740
Accrued revenue		5,892,160
Prepaid expenses		21,881
Other current assets and deposits		2,139,195
Total current assets		27,775,968

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,025,127
Total restricted assets		2,125,127
TOTAL ASSETS	\$	29,901,095

LIABILITIES

Current liabilities:

Accounts payable	\$	492,677
Accrued payroll		57,353
Interest payable		4,458
Due to member agencies		62,955
Accrued cost of electricity		8,277,578
Other accrued liabilities		49,430
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		64,984
Limited Term Loan		884,987
Loan - County of Yolo		3,000,000
Total current liabilities		14,874,422
Total noncurrent liabilities		-
TOTAL LIABILITIES	\$	14,874,422

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,125,127
Unrestricted		12,677,046
TOTAL NET POSITION	\$	15,026,673

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF AUGUST 1, 2022 TO AUGUST 31, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD	
	ENDING	YEAR TO DATE
	AUGUST 31, 2022	
OPERATING REVENUE		
Electricity sales, net	\$ 11,509,634	\$ 57,409,358
Other revenue	108,352	1,108,198
TOTAL OPERATING REVENUES	11,617,986	58,517,556
OPERATING EXPENSES		
Cost of electricity	9,605,351	49,025,099
Contract services	226,303	1,721,766
Staff compensation	104,584	834,938
General, administration, and other	338,430	1,629,911
TOTAL OPERATING EXPENSES	10,274,668	53,211,714
TOTAL OPERATING INCOME (LOSS)	1,343,318	5,305,842
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,401	15,249
Interest and related expenses	(2,721)	(28,667)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,680	(13,418)
CHANGE IN NET POSITION	1,344,998	5,292,424
Net position at beginning of period	13,681,675	9,734,249
Net position at end of period	\$ 15,026,673	\$ 15,026,673

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING AUGUST 31, 2022</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 10,390,750	\$ 44,925,017
Payments received from other revenue sources	108,352	1,108,198.00
Payments to purchase electricity	(10,058,197)	(45,995,495.00)
Payments for contract services, general, and administration	(524,920)	(2,816,198.00)
Payments for staff compensation	(102,444)	(841,494.00)
Net cash provided (used) by operating activities	<u>(186,459)</u>	<u>(3,619,972)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(42,813)	2,731,961
Interest and related expenses	(2,852)	(26,995)
Net cash provided (used) by non-capital financing activities	<u>(45,665)</u>	<u>2,704,966</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,401	15,249
Net cash provided (used) by investing activities	<u>4,401</u>	<u>15,249</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(227,723)	(1,040,676)
Cash and cash equivalents at beginning of period	6,460,842	6,460,842
Cash and cash equivalents at end of period	<u>\$ 6,233,119</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	4,107,992	4,107,992
Restricted assets	2,125,127	2,125,127
Cash and cash equivalents at end of period	<u>\$ 6,233,119</u>	<u>\$ 6,233,119</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>AUGUST 31, 2022</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,343,318	\$ 5,305,842
(Increase) decrease in net accounts receivable	(1,517,534.00)	(8,306,895.41)
(Increase) decrease in accrued revenue	483,578	(4,123,966.74)
(Increase) decrease in prepaid expenses	10,918	863,349.00
(Increase) decrease in other assets and deposits	-	(140,919.00)
Increase (decrease) in accounts payable	17,855	47,935.00
Increase (decrease) in accrued payroll	2,140	(6,556.00)
Increase (decrease) in due to member agencies	929	(54,990.00)
Increase (decrease) in accrued cost of electricity	(452,846)	2,945,409.00
Increase (decrease) in other accrued liabilities	10,111	(236,320.00)
Increase (decrease) in user taxes and energy surcharges	(84,928)	(53,778.90)
Net cash provided (used) by operating activities	<u>\$ (186,459)</u>	<u>\$ (3,760,891)</u>

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 08/31/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 57,409,359	\$ 60,260,300	\$ (2,850,941)	-5%
Other Revenues - Programs	\$ 1,108,198	\$ -	\$ 1,108,198	100%
Interest Revenues	\$ 15,574	\$ 12,000	\$ 3,574	30%
Purchased Power	\$ 49,025,099	\$ 45,199,100	\$ (3,819,961)	-8%
Purchased Power Base	\$ 49,019,061	\$ 45,135,000	\$ (3,884,061)	-9%
Purchased Power Contingency 2%	\$ -	\$ 64,100	\$ 64,100	100%
Labor & Benefits	\$ 835,934	\$ 869,200	\$ 33,266	4%
Salaries & Wages/Benefits	\$ 683,772	\$ 726,400	\$ 42,628	6%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 29,200	\$ 29,200	100%
Human Resources & Payroll	\$ 152,162	\$ 113,600	\$ (38,562)	-34%
Office Supplies & Other Expenses	\$ 153,390	\$ 135,800	\$ (17,590)	-13%
Technology Costs	\$ 42,838	\$ 27,800	\$ (15,038)	-54%
Office Supplies	\$ 7,119	\$ 1,600	\$ (5,519)	-345%
Travel	\$ 250	\$ 4,000	\$ 3,750	94%
CalCCA Dues	\$ 75,291	\$ 84,800	\$ 9,509	11%
CC Power	\$ 26,891	\$ 16,000	\$ (10,891)	-68%
Memberships	\$ 1,000	\$ 1,600	\$ 600	38%
Contractual Services	\$ 1,605,020	\$ 1,673,800	\$ 68,780	4%
Other Contract Services	\$ -	\$ 16,800	\$ 16,800	100%
Don Dame	\$ 7,741	\$ 6,600	\$ (1,141)	-17%
SMUD - Credit Support	\$ 354,335	\$ 328,100	\$ (26,235)	-8%
SMUD - Wholesale Energy Services	\$ 397,146	\$ 393,000	\$ (4,146)	-1%
SMUD - Call Center	\$ 531,486	\$ 529,800	\$ (1,686)	0%
SMUD - Operating Services	\$ 34,080	\$ 40,200	\$ 6,120	15%
Commercial Legal Support	\$ 8,234	\$ -	\$ (8,234)	100%
Legal General Counsel	\$ 70,479	\$ 103,200	\$ 32,721	32%
Regulatory Counsel	\$ 97,174	\$ 132,800	\$ 35,626	27%
Joint CCA Regulatory counsel	\$ 4,532	\$ 21,600	\$ 17,068	79%
Legislative - (Lobbyist)	\$ 45,000	\$ 40,200	\$ (4,800)	-12%
Accounting Services	\$ 9,446	\$ 17,600	\$ 8,154	46%
Financial Consultant	\$ -	\$ 16,800	\$ 16,800	100%
Audit Fees	\$ 45,368	\$ 27,100	\$ (18,268)	-67%
Marketing	\$ 124,669	\$ 164,000	\$ 39,331	24%
Marketing Collateral	\$ 124,469	\$ 160,000	\$ 35,531	22%
Community Engagement Activities & Sponsorships	\$ 200	\$ 4,000	\$ 3,800	95%
Programs	\$ 1,100,193	\$ 116,000	\$ (984,193)	-848%
Program Costs	\$ 102,724	\$ 116,000	\$ 13,277	11%
Programs - AgFIT	\$ 997,469	\$ -	\$ (997,469)	100%
Rents & Leases	\$ 17,690	\$ 14,400	\$ (3,290)	-23%
Hunt Boyer Mansion	\$ 17,690	\$ 14,400	\$ (3,290)	-23%
Other A&G	\$ 349,866	\$ 240,000	\$ (109,866)	-46%
Development - New Members	\$ -	\$ 16,800	\$ 16,800	100%
Strategic Plan Implementation	\$ 3,788	\$ 25,400	\$ 21,612	85%
PG&E Data Fees	\$ 194,326	\$ 184,000	\$ (10,326)	-6%
Insurance	\$ 9,880	\$ 5,600	\$ (4,280)	-76%
Banking Fees	\$ 141,872	\$ 8,200	\$ (133,672)	-1630%
Miscellaneous Operating Expenses	\$ 176	\$ 600	\$ 424	71%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
TOTAL OPERATING EXPENSES	\$ 53,212,037	\$ 48,432,900	\$ (4,779,137)	-10%
Interest on RCB loan	\$ 26,171	\$ 23,900	\$ 2,271	10%
Interest Expense - Bridge Loan	\$ 2,496	\$ 52,000	\$ (49,504)	-95%
NET INCOME	\$ 5,292,427	\$ 11,763,500	\$ (6,471,073)	-55%