

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO Board of Directors

FROM Mitch Sears, Interim General Manager
Edward Burnham, Finance and Operations Director

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

DATE February 11, 2021

RECOMMENDATION:

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

Financial Statements for the period December 1, 2020 – December 31, 2020

In the Statement of Net Position, VCEA as of December 31, 2020 has a total of \$14,038,050 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$ 1,669,378 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of December 31, 2020 \$ 240,844. VCEA obligations are incurred on a monthly basis due to staffing, accounting and legal services billed by Member agencies to VCE. All long-term obligations balances have been paid.

The term loan with River City Bank includes a current portion of \$395,322 and a long-term portion of \$1,153,026 as of December 31, 2020, for a total of \$1,548,348. On December 31, 2020, VCE's net position is \$15,951,807.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$ 3,150,176 of revenue (net of allowance for doubtful accounts) of which \$3,738,140 was billed in December and (\$ 851,170) represent estimated unbilled revenue. The cost of the electricity for the December revenue totaled \$4,080,932. For December, VCEA's gross margin is approximately -30% and operating income totaled (\$1,251,080). The year-to-date change in net position was (\$635,877).

In the Statement of Cash Flows, VCEA cash flows from operations was \$336,454 due to December cash receipts of revenues being higher than the monthly cash operating expenses.

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

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

Electric Revenue - \$3,800,829 and 13% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.

Purchased Power - \$4,817,596 and 18% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.

Legal General Counsel – (\$56,852) and (77%) – favorable variance due to services lower than planned from member agencies and no major cases requiring general counsel. This is partially offset by Regulatory legal counsel unfavorable to budgeted by \$22K.

Contingency – (\$119,378) and (100%) – variance is due to not having a need yet to utilize the contingency funds set aside in the budget.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2020

PREPARED ON FEBRUARY 2, 2021

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
DECEMBER 31, 2020
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	14,038,050
Accounts receivable, net of allowance		4,714,595
Accrued revenue		1,460,164
Prepaid expenses		3,125
Other current assets and deposits		6,883
Total current assets		<u>20,222,817</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,669,378
Total restricted assets		<u>2,769,378</u>

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000

TOTAL ASSETS	\$	<u>23,092,195</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	475,561
Accrued payroll		22,971
Interest payable		4,001
Due to member agencies		240,844
Accrued cost of electricity		3,166,158
Other accrued liabilities		(781,582)
Security deposits - energy supplies		2,405,640
User taxes and energy surcharges		58,447
Current Portion of LT Debt		395,322
Total current liabilities		<u>5,987,362</u>

Noncurrent liabilities

Term Loan- RCB		1,153,026
Total noncurrent liabilities		<u>1,153,026</u>

TOTAL LIABILITIES	\$	<u>7,140,388</u>
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NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,769,378
Unrestricted		12,957,929
TOTAL NET POSITION	\$	<u>15,951,807</u>

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

	FOR THE PERIOD ENDING DECEMBER 31, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,150,176	\$ 33,270,296
TOTAL OPERATING REVENUES	<u>3,150,176</u>	<u>33,270,296</u>
OPERATING EXPENSES		
Cost of electricity	4,080,932	31,648,992
Contract services	186,196	1,428,326
Staff compensation	96,108	565,718
General, administration, and other	38,020	263,826
TOTAL OPERATING EXPENSES	<u>4,401,256</u>	<u>33,906,862</u>
TOTAL OPERATING INCOME (LOSS)	(1,251,080)	(636,566)
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,376	31,096
Interest and related expenses	(4,763)	(30,407)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(387)</u>	<u>689</u>
CHANGE IN NET POSITION	(1,251,467)	(635,877)
Net position at beginning of period	17,203,274	16,587,684
Net position at end of period	<u>\$ 15,951,807</u>	<u>\$ 15,951,807</u>

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

	FOR THE PERIOD ENDING DECEMBER 31, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 4,471,848	\$ 36,027,119
Receipts for security deposits with energy suppliers	(100,500)	1,890,000
Payments to purchase electricity	(3,424,799)	(33,074,261)
Payments for contract services, general, and administration	(514,207)	(3,095,139)
Payments for staff compensation	(95,888)	(554,551)
Other cash payments	-	(4,343)
Net cash provided (used) by operating activities	<u>336,454</u>	<u>1,188,825</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,940)	(197,658)
Interest and related expenses	(4,707)	(30,841)
Net cash provided (used) by non-capital financing activities	<u>(37,647)</u>	<u>(228,499)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,376	31,096
Net cash provided (used) by investing activities	<u>4,376</u>	<u>31,096</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	16,504,245	15,816,006
Cash and cash equivalents at end of period	<u>\$ 16,807,428</u>	<u>\$ 16,807,428</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	14,038,050	14,038,050
Restricted assets	2,769,378	2,769,378
Cash and cash equivalents at end of period	<u>\$ 16,807,428</u>	<u>\$ 16,807,428</u>

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

	<u>FOR THE PERIOD ENDING DECEMBER 31, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ (1,251,080)	\$ (636,566)
(Increase) decrease in net accounts receivable	452,743.00	\$ 1,245,616
(Increase) decrease in accrued revenue	853,122	\$ 1,513,031
(Increase) decrease in prepaid expenses	10,011	\$ (2,500)
(Increase) decrease in inventory - renewable energy credi	913,310	\$ -
(Increase) decrease in other assets and deposits	-	\$ (4,343)
Increase (decrease) in accounts payable	(69,873)	\$ (166,839)
Increase (decrease) in accrued payroll	220	\$ 11,167
Increase (decrease) in due to member agencies	20,583	\$ 124,378
Increase (decrease) in accrued cost of electricity	(257,177)	\$ (1,425,269)
Increase (decrease) in other accrued liabilities	(250,712)	\$ (1,358,026)
Increase (decrease)security deposits with energy supplier	(100,500)	\$ 1,890,000
Increase (decrease) in user taxes and energy surcharges	15,807	\$ (1,824)
Net cash provided (used) by operating activities	<u>\$ 336,454</u>	<u>\$ 1,188,825</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 12-31-2020

GL#	Description	12/31/2020	12/31/2020	YTD	%
		FY2021 Actuals	FY2021 Budget	Variance	over/-under
301.00	Electric Revenue	\$ 33,270,296	\$ 29,469,467	\$ 3,800,829	13%
311.00	Interest Revenues	31,096	56,200	(25,104)	-45%
415.00	Purchased Power	31,648,989	26,831,393	4,817,596	18%
	Labor & Benefits	565,717	582,985	(17,268)	-3%
451.10	Salaries & Wages/Benefits	379,387	418,057	(38,670)	-9%
451.20	Contract Labor	139,998	105,551	34,447	33%
453.41	Human Resources & Payroll	46,332	59,377	(13,045)	-22%
	Office Supplies & Other Expenses	79,109	73,414	5,695	8%
452.10	Technology Costs	19,675	10,748	8,927	83%
452.15	Office Supplies	670	1,152	(482)	-42%
452.25	Travel	-	3,048	(3,048)	-100%
452.30	CalCCA Dues	57,564	57,567	(2)	0%
452.35	Memberships	1,200	900	300	33%
	Contractual Services	1,442,061	1,534,473	(92,412)	-6%
453.10	LEAN Energy	3,450	12,000	(8,550)	-71%
453.15	Don Dame	1,910	5,000	(3,090)	-62%
453.20	SMUD - Credit Support	332,656	309,468	23,188	7%
453.21	SMUD - Wholesale Energy Services	287,832	288,278	(446)	0%
453.22	SMUD - Call Center	370,437	366,344	4,093	1%
453.23	SMUD - Operating Services	114,510	140,000	(25,490)	-18%
	Legal Bankruptcy	-	12,300	(12,300)	-100%
	Legal General Counsel	16,948	73,800	(56,852)	-77%
453.36	Regulatory Counsel	116,826	94,956	21,870	23%
453.37	Joint CCA Regulatory counsel	11,451	15,375	(3,924)	-26%
453.38	Legislative	30,000	30,750	(750)	-2%
453.40	Accounting Services	11,261	12,300	(1,039)	-8%
453.42	Audit Fees	43,100	59,963	(16,863)	-28%
453.60	PG&E Acquisition Consulting	849	-	849	100%
459.05	Marketing Collateral	100,831	113,940	(13,109)	-12%
	Rents & Leases	5,791	8,688	(2,897)	-33%
457.10	Hunt Boyer Mansion	5,791	8,688	(2,897)	-33%
	Other A&G	173,349	184,848	(11,499)	-6%
459.10	PG&E Data Fees	154,311	146,487	7,824	5%
459.15	Community Engagement Activities & Sponsorships	2,036	3,075	(1,039)	-34%
459.20	Insurance	2,502	3,771	(1,269)	-34%
459.08	New Member Expenses	-	28,500	(28,500)	-100%
459.70	Banking Fees	14,500	615	13,885	2258%
	Program Costs	-	2,400	(2,400)	-100%
463.00	Miscellaneous Operating Expenses	2,129	3,143	(1,014)	-32%
463.99	Contingency	-	119,378	(119,378)	-100%
	TOTAL OPERATING EXPENSES	\$ 33,917,144	\$ 29,338,321	\$ 4,578,823	16%
481.20	Interest Expense - Munis	-	-	-	0%
481.10	Interest on RCB loan	29,760	30,192	(432)	-1%
482.10	Interest Expense - SMUD	646	646	-	0%
	NET INCOME	\$ (646,158)	\$ 156,508	\$ (802,666)	-513%