

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**TO:** Board of Directors

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

**SUBJECT:** Financial Update – December 1, 2021 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending December 31, 2021

**DATE:** February 10, 2022

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### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of December 1, 2021 to December 31, 2021 (with comparative year to date information) and Actual vs. Budget year to date ending December 31, 2021.

### **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, 2021.

### Financial Statements for the period December 1, 2021 – December 31, 2021

In the Statement of Net Position, VCEA, as of December 31, 2021, has a total of \$3,990,009 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,989,603 restricted assets related to supplier deposits, and \$2,461,158 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of December 31, 2021, \$117,945. 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 \$1,153,026. On December 31, 2021, VCE's net position is \$9,749,097.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$4,195,092 of revenue (net of allowance for doubtful accounts), of which \$3,808,159 was billed in December and \$1,768,193 represent estimated unbilled revenue. The cost of the electricity for the December revenue totaled \$4,458,815. For December, VCEA's gross margin was approximate -23.78% and net loss totaled (\$1,158,362). The year-to-date change in net position was (\$2,732,293).

In the Statement of Cash Flows, VCEA cash flows from operations were (\$450,670) due to December cash receipts of revenues being less than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending December 31, 2021

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

- Electric Revenue - \$4,939,612 and 20% – variance is due to load being more favorable year-to-date than planned, the continued COVID and recessionary impacts, and the weather has been warmer than forecast, and rate adjustment starting November 1, 2021.
- Purchased Power - \$2,689,275 and 10% – variance is due to load being more favorable year-to-date than planned, the COVID and recessionary impacts, and the weather has been warmer than forecast, and rising power costs.
- Program Costs – (\$67,500) and (100%) – favorable variance to budget is due to not having utilized budgeted annual program costs expected in later periods.
- Contingency – (\$67,867) 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) December 1, 2021 to December 31, 2021 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending December 31, 2021



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2021**

**PREPARED ON FEBRUARY 2, 2022**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**  
**(UNAUDITED)**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 3,990,009
Accounts receivable, net of allowance	7,129,816
Accrued revenue	1,768,193
Prepaid expenses	885,230
Other current assets and deposits	1,998,276
Total current assets	<u>15,771,524</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	2,461,158
Total restricted assets	<u>3,561,158</u>
Noncurrent assets:	
Other noncurrent assets and deposits	
Total noncurrent assets	-
<b>TOTAL ASSETS</b>	<u><u>\$ 19,332,682</u></u>

**LIABILITIES**

Current liabilities:	
Accounts payable	\$ 529,237
Accrued payroll	63,909
Interest payable	2,786
Due to member agencies	117,945
Accrued cost of electricity	5,332,169
Other accrued liabilities	285,750
Security deposits - energy supplies	1,980,000
User taxes and energy surcharges	118,763
Limited Term Loan	1,153,026
Total current liabilities	<u>9,583,585</u>
Noncurrent liabilities	
Term Loan- RCB	
Total noncurrent liabilities	-
<b>TOTAL LIABILITIES</b>	<u><u>\$ 9,583,585</u></u>

**NET POSITION**

Restricted	
Local Programs Reserve	224,500
Restricted	3,561,158
Unrestricted	5,963,439
<b>TOTAL NET POSITION</b>	<u><u>\$ 9,749,097</u></u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF DECEMBER 1, 2021 TO DECEMBER 31, 2021**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD</b>	
	<b>ENDING</b>	<b>YEAR TO DATE</b>
	<b>DECEMBER 31, 2021</b>	<b>YEAR TO DATE</b>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 3,616,867	\$ 29,676,961
<b>TOTAL OPERATING REVENUES</b>	<u>3,616,867</u>	<u>29,676,961</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	4,458,815	30,132,779
Contract services	195,280	1,383,829
Staff compensation	94,690	537,689
General, administration, and other	24,224	341,143
<b>TOTAL OPERATING EXPENSES</b>	<u>4,773,009</u>	<u>32,395,440</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	(1,156,142)	(2,718,479)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Other Revenue		
Interest income	1,325	8,731
Interest and related expenses	(3,545)	(22,545)
<b>TOTAL NONOPERATING REVENUES</b>	<u></u>	<u></u>
<b>(EXPENSES)</b>	<u>(2,220)</u>	<u>(13,814)</u>
<b>CHANGE IN NET POSITION</b>	(1,158,362)	(2,732,293)
Net position at beginning of period	10,907,459	12,481,390
Net position at end of period	<u>\$ 9,749,097</u>	<u>\$ 9,749,097</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2021**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING DECEMBER 31, 2021</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 4,195,092	\$ 31,566,898
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(3,880,924)	(31,379,421)
Payments for contract services, general, and administration	(671,295)	(3,251,148)
Payments for staff compensation	(84,870)	(517,485)
Other cash payments	(8,673)	(11,393)
<b>Net cash provided (used) by operating activities</b>	<u>(450,670)</u>	<u>(3,592,549)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Principal payments of Debt	(32,943)	(197,661)
Interest and related expenses	(3,528)	(23,018)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(36,471)</u>	<u>(220,679)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,325	8,731
<b>Net cash provided (used) by investing activities</b>	<u>1,325</u>	<u>8,731</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(485,816)	(3,804,497)
Cash and cash equivalents at beginning of period	8,036,983	11,355,664
<b>Cash and cash equivalents at end of period</b>	<u>\$ 7,551,167</u>	<u>\$ 7,551,167</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	3,990,009	3,990,009
Restricted assets	3,561,158	3,561,158
<b>Cash and cash equivalents at end of period</b>	<u>\$ 7,551,167</u>	<u>\$ 7,551,167</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2021**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>DECEMBER 31, 2021</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ (1,156,142)	\$ (2,718,479)
(Increase) decrease in net accounts receivable	304,244.41	674,395.41
(Increase) decrease in accrued revenue	257,252	1,167,097.74
(Increase) decrease in prepaid expenses	(317,970)	(870,087.00)
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	(8,673)	(11,393.00)
Increase (decrease) in accounts payable	(33,210)	45,276.00
Increase (decrease) in accrued payroll	9,820	20,204.00
Increase (decrease) in due to member agencies	20,963	(5,461.00)
Increase (decrease) in accrued cost of electricity	577,891	(1,246,642.00)
Increase (decrease) in other accrued liabilities	(121,574)	(695,904.00)
Increase (decrease) security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	16,729	48,443.90
<b>Net cash provided (used) by operating activities</b>	<u>\$ (450,670)</u>	<u>\$ (3,592,549)</u>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 12-31-21 (6 Month)**  
**FOR THE YEAR TO DATE ENDING 12/31/21**

GL#	Description	12/31/2021	12/31/2021	YTD	%
		YTD	YTD		
		FY2022 Actuals	FY2022 Budget	Variance	over/-under
301.00	Electric Revenue	29,676,961	24,737,349	4,939,612	20%
311.00	Interest Revenues	8,731	28,200	(19,469)	-69%
415.00	Purchased Power	30,132,779	27,443,504	2,689,275	10%
	Labor & Benefits	537,689	579,577	(41,888)	-7%
451.10	Salaries & Wages/Benefits	454,502	488,740	(34,237)	-7%
451.20	Contract Labor	-	23,302	(23,302)	-100%
453.41	Human Resources & Payroll	83,187	67,536	15,651	23%
	Office Supplies & Other Expenses	101,938	94,224	7,714	8%
452.10	Technology Costs	15,652	17,016	(1,365)	-8%
452.15	Office Supplies	1,547	1,152	395	34%
452.25	Travel	-	3,048	(3,048)	-100%
452.30	CalCCA Dues	56,075	62,107	(6,033)	-10%
	CC Power	28,440	10,000	18,440	184%
452.35	Memberships	224	900	(676)	-75%
	Contractual Services	1,296,794	1,368,998	(72,204)	-5%
453.10	Other Contract Services	-	12,000	(12,000)	-100%
453.15	Don Dame	5,155	5,000	155	3%
453.20	SMUD - Credit Support	328,787	329,976	(1,189)	0%
453.21	SMUD - Wholesale Energy Services	293,922	292,986	936	0%
453.22	SMUD - Call Center	396,310	393,733	2,577	1%
453.23	SMUD - Operating Services	59,236	30,000	29,236	97%
453.24	Commercial Legal Support	-	-	-	100%
453.25	Legal General Counsel	46,299	75,645	(29,346)	-39%
453.36	Regulatory Counsel	79,726	97,330	(17,604)	-18%
453.37	Joint CCA Regulatory counsel	602	15,759	(15,158)	-96%
453.38	Legislative - (Lobbyist)	35,000	30,000	5,000	17%
453.40	Accounting Services	4,458	12,608	(8,150)	-65%
453.41	Financial Consultant	-	12,500	(12,500)	-100%
453.42	Audit Fees	47,300	61,462	(14,162)	-23%
453.60	PG&E Acquisition Consulting	-	-	-	100%
	Marketing	78,849	117,079	(38,230)	-33%
459.05	Marketing Collateral	78,299	113,940	(35,641)	-31%
459.15	Community Engagement Activities & Sponsorship	550	3,139	(2,589)	-82%
	Programs	-	67,500	(67,500)	-100%
	Program Costs	-	67,500	(67,500)	-100%
	Rents & Leases	7,950	12,060	(4,110)	-34%
457.10	Hunt Boyer Mansion	7,950	12,060	(4,110)	-34%
	Other A&G	236,718	204,145	32,574	16%
459.08	Development - New Members	-	12,000	(12,000)	-100%
459.09	Strategic Plan Implementation	62,261	37,500	24,761	66%
459.10	PG&E Data Fees	133,451	150,149	(16,698)	-11%
459.20	Insurance	9,201	3,865	5,335	138%
459.70	Banking Fees	31,806	630	31,176	4946%
463.10	Miscellaneous Operating Expenses	2,722	3,221	(500)	0%
463.99	Contingency	-	67,867	(67,867)	-100%
	<b>TOTAL OPERATING EXPENSES</b>	<b>32,395,440</b>	<b>29,958,174</b>	<b>2,437,266</b>	<b>8%</b>
481.10	Interest on RCB loan	22,545	23,019	(473)	-2%
	<b>NET INCOME</b>	<b>(2,732,293)</b>	<b>(5,215,643)</b>	<b>2,483,350</b>	<b>-48%</b>