

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – February 29, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 2020

DATE: April 9, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of February 1, 2020 to February 29, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending February 29, 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 February 29, 2020.

Financial Statements for the period February 1, 2020 – February 29, 2020

In the Statement of Net Position, VCEA as of February 29, 2020 has a total of \$12,402,434 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,116,975 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of February 29, 2020 \$210,890 and \$450,346 respectively for a grand total of \$661,236. 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 \$1,482,458 as of February 29, 2020, for a total of \$1,877,780. At February 29, 2020, VCE's net position is \$12,722,292.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,867,951 of revenue (net of allowance for doubtful accounts) of which \$2,833,686 was billed in February and (\$13,250) represent estimated unbilled revenue. The cost of the electricity for the February revenue totaled \$2,630,927. For February, VCEA's gross margin is approximately 9.0% and operating income totaled negative (\$83,529). The year-to-date change in net position was \$5,393,459.

In the Statement of Cash Flows, VCEA cash flows from operations was negative (\$1,190,226) due to February cash receipts of revenues being lower than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending February 29, 2020

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

Salaries & Wages/Benefits - (\$156,342) and (38%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Credit Support - (\$55,162) and (13%) – 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 - (\$86,447) and (36%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

PG&E Acquisition Consulting - \$159,310 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - \$82,255 and 55% - 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

Contingency - (\$155,558) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$159,310 of PG&E acquisition-related expenses.

Attachments:

- 1) Financial Statements (Unaudited) February 1, 2020 to February 29, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending February 29, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2020

PREPARED ON APRIL 1, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
FEBRUARY 29, 2020
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$	12,402,434
Accounts receivable, net of allowance		3,199,969
Accrued revenue		1,754,331
Prepaid expenses		10,955
Inventory - Renewable Energy Credits		-
Other current assets and deposits		2,540
Total current assets		17,370,229
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,116,975
Total restricted assets		2,216,975
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	19,687,204

LIABILITIES

Current liabilities:		
Accounts payable	\$	692,287
Accrued payroll		5,469
Interest payable		6,159
Due to member agencies		210,890
Accrued cost of electricity		2,921,333
Other accrued liabilities		701,881
Security deposits - energy supplies		515,640
User taxes and energy surcharges		33,473
Current Portion of LT Debt		395,322
Total current liabilities		5,482,454
Noncurrent liabilities		
Term Loan- RCB		1,482,458
Total noncurrent liabilities		1,482,458
TOTAL LIABILITIES	\$	6,964,912

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,216,975
Unrestricted		10,368,419
TOTAL NET POSITION	\$	12,722,292

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF FEBRUARY 1, 2020 TO FEBRUARY 29, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>FEBRUARY 29, 2020</u>	<u>YEAR TO DATE</u>
OPERATING REVENUE		
Electricity sales, net	\$ 2,867,951	\$ 37,378,866
TOTAL OPERATING REVENUES	<u>2,867,951</u>	<u>37,378,866</u>
OPERATING EXPENSES		
Cost of electricity	2,630,927	28,936,247
Contract services	208,048	2,066,075
Staff compensation	76,501	682,527
General, administration, and other	36,004	286,875
TOTAL OPERATING EXPENSES	<u>2,951,480</u>	<u>31,971,724</u>
TOTAL OPERATING INCOME (LOSS)	(83,529)	5,407,142
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,426	60,843
Interest and related expenses	(6,257)	(74,526)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,169</u>	<u>(13,683)</u>
CHANGE IN NET POSITION	(80,360)	5,393,459
Net position at beginning of period	12,802,652	7,328,833
Net position at end of period	<u>\$ 12,722,292</u>	<u>\$ 12,722,292</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 29, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,229,213	\$ 41,691,577
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(3,936,035)	(31,018,402)
Payments for contract services, general, and administration	(408,383)	(2,839,934)
Payments for staff compensation	(75,021)	(680,847)
Net cash provided (used) by operating activities	<u>(1,190,226)</u>	<u>7,668,034</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,943)	(98,830)
Interest and related expenses	(7,491)	(180,679)
Net cash provided (used) by non-capital financing activities	<u>(40,434)</u>	<u>(1,779,509)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,426	60,843
Net cash provided (used) by investing activities	<u>9,426</u>	<u>60,843</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,221,234)	5,949,368
Cash and cash equivalents at beginning of period	15,840,643	8,670,041
Cash and cash equivalents at end of period	<u>\$ 14,619,409</u>	<u>\$ 14,619,409</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 12,402,434	\$ 12,402,434
Restricted assets	2,216,975	2,216,975
Cash and cash equivalents at end of period	<u>\$ 14,619,409</u>	<u>\$ 14,619,409</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 29, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING FEBRUARY 29, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (83,529)	\$ 5,407,142
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	381,584.00	1,795,304.00
(Increase) decrease in accrued revenue	13,044	2,541,382.00
(Increase) decrease in prepaid expenses	9,497	(10,955.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	(31,172)	106,167.00
Increase (decrease) in accrued payroll	1,480	1,680.00
Increase (decrease) in due to member agencies	(42,915)	(199,419.00)
Increase (decrease) in accrued cost of electricity	(1,305,108)	(2,289,323.00)
Increase (decrease) in other accrued liabilities	(99,741)	(382,777.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	(33,366)	(23,975.00)
Net cash provided (used) by operating activities	\$ (1,190,226)	\$ 7,668,034

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 02-29-20

Description	2/29/2020	2/29/2020	YTD Variance	% over/-under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 37,378,864	\$ 38,323,544	\$ (944,680)	-2%
Interest Revenues	60,842	81,798	(20,956)	-26%
Purchased Power	28,936,247	29,230,856	(294,610)	-1%
Labor & Benefits	682,529	787,346	(104,818)	-13%
Salaries & Wages/Benefits	250,936	407,278	(156,342)	-38%
Contract Labor	409,316	371,668	37,648	10%
Human Resources & Payroll	22,277	8,400	13,877	165%
Office Supplies & Other Expenses	89,642	85,264	4,377	5%
Technology Costs	8,085	6,176	1,909	31%
Office Supplies	3,803	822	2,981	363%
Travel	4,389	3,200	1,189	37%
CalCCA Dues	72,640	72,667	(27)	0%
Memberships	725	2,400	(1,675)	-70%
Contractual Services	2,066,048	2,006,985	59,063	3%
Don Dame	11,811	12,000	(190)	-2%
SMUD - Credit Support	353,988	409,150	(55,162)	-13%
SMUD - Wholesale Energy Services	376,096	376,096	-	0%
SMUD - Call Center	440,284	449,039	(8,756)	-2%
SMUD - Operating Services	154,553	241,000	(86,447)	-36%
Legal	70,076	112,000	(41,924)	-37%
Regulatory Counsel	119,013	123,520	(4,507)	-4%
Joint Regulatory	36,613	20,000	16,613	83%
Legislative	40,000	40,000	-	0%
Accounting Services	9,371	16,000	(6,629)	-41%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	159,310	-	159,310	100%
Marketing Collateral	231,935	149,680	82,255	55%
Rents & Leases	13,038	11,664	1,374	12%
Hunt Boyer Mansion	13,038	11,664	1,374	12%
Other A&G	157,635	215,819	(58,184)	-27%
PG&E Data Fees	153,875	166,114	(12,239)	-7%
Community Engagement Activities & Sponsorships	326	4,000	(3,674)	-92%
Insurance	3,435	4,906	(1,471)	-30%
New Member Expenses	-	40,000	(40,000)	-100%
Banking Fees	-	800	(800)	-100%
Miscellaneous Operating Expenses	26,582	4,088	22,494	550%
Contingency	-	155,558	(155,558)	-100%
TOTAL OPERATING EXPENSES	\$ 31,971,721	\$ 32,497,582	\$ (525,861)	-2%
Interest Expense - Munis	14,965	37,030	(22,066)	-60%
Interest on RCB loan	49,737	57,988	(8,251)	-14%
Interest Expense - SMUD	9,824	10,670	(846)	-8%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 5,393,459	\$ 5,802,071	\$ (408,612)	-7%