

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Valley Clean Energy Alliance Board of Directors

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

SUBJECT: Financial Update – June 30, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending June 30, 2020

DATE: August 13, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of June 1, 2020 to June 30, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending June 30, 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 June 30, 2020.

Financial Statements for the period June 1, 2020 – June 30, 2020

In the Statement of Net Position, VCEA as of June 30, 2020 has a total of \$13,328,750 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,245,520 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of June 30, 2020 \$78,710 and \$193,648 respectively for a grand total of \$272,358. 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 \$1,350,684 as of June 30, 2020, for a total of \$1,746,006. At June 30, 2020, VCE's net position is \$16,155,542.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,473,286 of revenue (net of allowance for doubtful accounts) of which \$6,247,905 was billed in June and (\$312,860) represent estimated unbilled revenue. The cost of the electricity for the June revenue totaled \$4,653,835. For June, VCEA's gross margin is approximately 28% and operating income totaled \$1,474,129. The year-to-date change in net position was \$8,826,709.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,225,344 due to June cash receipts of revenues being higher than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending June 30, 2020

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

Salaries & Wages/Benefits - (\$176,736) and (29%) – variance is due to having more budgeted positions at VCE than we actually have on staff for the majority of the fiscal year.

SMUD Credit Support - (\$85,927) and (14%) – 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 - (\$88,129) and (32%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

Legal - (\$77,304) and (46%) – variance is due to lower than planned general legal support from member agencies and outside counsel.

PG&E Acquisition Consulting - \$183,908 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

New Member Expenses - (\$60,000) and (100%) – this amount was budgeted as a placeholder for expenses related to bringing new member jurisdictions into VCE. To date, any spending in these areas has been incorporated into other budget line items, such as SMUD and marketing-related line items.

Contingency - (\$229,590) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$183,908 of PG&E acquisition-related expenses.

Attachments:

- 1) Financial Statements (Unaudited) June 1, 2020 to June 30, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending June 30, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020

PREPARED ON JULY 30, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
JUNE 30, 2020
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$	13,328,750
Accounts receivable, net of allowance		5,922,455
Accrued revenue		2,973,195
Prepaid expenses		625
Inventory - Renewable Energy Credits		
Other current assets and deposits		2,540
Total current assets		22,227,565
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,245,520
Total restricted assets		2,345,520
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	24,673,085

LIABILITIES

Current liabilities:		
Accounts payable	\$	642,400
Accrued payroll		11,804
Interest payable		4,435
Due to member agencies		78,710
Accrued cost of electricity		4,881,833
Other accrued liabilities		576,444
Security deposits - energy supplies		515,640
User taxes and energy surcharges		60,271
Current Portion of LT Debt		395,322
Total current liabilities		7,166,859
Noncurrent liabilities		
Term Loan- RCB		1,350,684
Total noncurrent liabilities		1,350,684
TOTAL LIABILITIES	\$	8,517,543

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,345,520
Unrestricted		13,673,124
TOTAL NET POSITION	\$	16,155,542

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JUNE 1, 2020 TO JUNE 30, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING JUNE 30, 2020</u>	<u>YEAR TO DATE</u>
OPERATING REVENUE		
Electricity sales, net	\$ 6,473,286	\$ 55,006,226
TOTAL OPERATING REVENUES	<u>6,473,286</u>	<u>55,006,226</u>
OPERATING EXPENSES		
Cost of electricity	4,653,835	41,828,667
Contract services	217,630	2,854,222
Staff compensation	97,602	1,059,829
General, administration, and other	30,090	435,647
TOTAL OPERATING EXPENSES	<u>4,999,157</u>	<u>46,178,365</u>
TOTAL OPERATING INCOME (LOSS)	1,474,129	8,827,861
NONOPERATING REVENUES (EXPENSES)		
Interest income	7,851	97,461
Interest and related expenses	(5,624)	(98,613)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,227</u>	<u>(1,152)</u>
CHANGE IN NET POSITION	1,476,356	8,826,709
Net position at beginning of period	14,679,186	7,328,833
Net position at end of period	<u>\$ 16,155,542</u>	<u>\$ 16,155,542</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING JUNE 30, 2020</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 4,568,900	\$ 55,404,385
Receipts for security deposits with energy suppliers		515,640
Payments to purchase electricity	(3,058,026)	(41,950,322)
Payments for contract services, general, and administration	(189,956)	(4,074,027)
Payments for staff compensation	(95,574)	(1,051,814)
Net cash provided (used) by operating activities	1,225,344	8,843,862
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,943)	(230,604)
Interest and related expenses	(5,899)	(206,490)
Net cash provided (used) by non-capital financing activities	(38,842)	(1,937,094)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	7,851	97,461
Net cash provided (used) by investing activities	7,851	97,461
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,194,353	7,004,229
Cash and cash equivalents at beginning of period	14,479,917	8,670,041
Cash and cash equivalents at end of period	\$ 15,674,270	\$ 15,674,270
Cash and cash equivalents included in:		
Cash and cash equivalents	13,328,750	13,328,750
Restricted assets	2,345,520	2,345,520
Cash and cash equivalents at end of period	\$ 15,674,270	\$ 15,674,270

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF JUNE 1 TO JUNE 30, 2020
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING JUNE 30, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,474,129	\$ 8,827,861
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,612,603.00)	(927,182.00)
(Increase) decrease in accrued revenue	(312,808)	1,322,518.00
(Increase) decrease in prepaid expenses	9,288	(625.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	73,751	56,280.00
Increase (decrease) in accrued payroll	2,028	8,015.00
Increase (decrease) in due to member agencies	13,893	(331,599.00)
Increase (decrease) in accrued cost of electricity	1,595,809	(328,823.00)
Increase (decrease) in other accrued liabilities	(39,168)	(508,214.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	21,025	2,823.00
Net cash provided (used) by operating activities	<u>\$ 1,225,344</u>	<u>\$ 8,843,862</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 06-30-20

Description	6/30/2020	6/30/2020	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 55,006,224	\$ 55,707,675	\$ (701,451)	-1%
Interest Revenues	97,460	132,077	(34,617)	-26%
Purchased Power	41,828,666	41,574,684	253,981	1%
Labor & Benefits	1,059,833	1,183,120	(123,287)	-10%
Salaries & Wages/Benefits	436,282	613,018	(176,736)	-29%
Contract Labor	579,316	557,502	21,814	4%
Human Resources & Payroll	44,235	12,600	31,635	251%
Office Supplies & Other Expenses	130,697	133,115	(2,418)	-2%
Technology Costs	11,488	14,476	(2,988)	-21%
Office Supplies	4,075	1,239	2,836	229%
Travel	4,449	4,800	(351)	-7%
CalCCA Dues	108,960	109,000	(40)	0%
Memberships	1,725	3,600	(1,875)	-52%
Contractual Services	2,854,172	2,909,798	(55,626)	-2%
Don Dame	13,967	18,000	(4,034)	-22%
SMUD - Credit Support	525,631	611,558	(85,927)	-14%
SMUD - Wholesale Energy Services	564,144	564,144	-	0%
SMUD - Call Center	669,933	687,237	(17,304)	-3%
SMUD - Operating Services	185,871	274,000	(88,129)	-32%
Legal	90,696	168,000	(77,304)	-46%
Regulatory Counsel	174,861	185,280	(10,419)	-6%
Joint Regulatory	38,420	30,000	8,420	28%
Legislative	60,000	60,000	-	0%
Accounting Services	16,618	24,000	(7,382)	-31%
Audit Fees	66,000	58,500	7,500	13%
PG&E Acquisition Consulting	183,908	-	183,908	100%
Marketing Collateral	264,125	229,079	35,046	15%
Rents & Leases	17,381	17,689	(308)	-2%
Hunt Boyer Mansion	17,381	17,689	(308)	-2%
Other A&G	256,539	341,941	(85,403)	-25%
PG&E Data Fees	232,203	267,383	(35,180)	-13%
Community Engagement Activities & Sponsorships	2,826	6,000	(3,174)	-53%
Insurance	5,010	7,358	(2,349)	-32%
New Member Expenses	-	60,000	(60,000)	-100%
Banking Fees	16,500	1,200	15,300	1275%
Miscellaneous Operating Expenses	31,076	6,142	24,934	406%
Contingency	-	229,590	(229,590)	-100%
TOTAL OPERATING EXPENSES	\$ 46,178,363	\$ 46,396,080	\$ (217,717)	0%
Interest Expense - Munis	14,965	55,775	(40,811)	-73%
Interest on RCB loan	71,461	85,348	(13,887)	-16%
Interest Expense - SMUD	12,186	13,459	(1,272)	-9%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 8,826,709	\$ 9,289,090	\$ (462,381)	-5%