

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

DATE: July 9, 2020

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of May 31, 2020 has a total of \$12,135,922 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,243,995 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of May 31, 2020 \$64,817 and \$257,983 respectively for a grand total of \$322,800. 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 \$1,383,627 as of May 31, 2020, for a total of \$1,778,949. At May 31, 2020, VCE's net position is \$14,679,186.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$4,987,988 of revenue (net of allowance for doubtful accounts) of which \$3,902,966 was billed in May and (\$1,194,946) represent estimated unbilled revenue. The cost of the electricity for the May revenue totaled \$2,995,618. For May, VCEA's gross margin is approximately 40% and operating income totaled \$1,678,117. The year-to-date change in net position was \$7,350,353.

In the Statement of Cash Flows, VCEA cash flows from operations was (\$183,035) due to May cash receipts of revenues being lower than the monthly cash operating expenses.

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

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

Salaries & Wages/Benefits - (\$174,692) and (31%) – 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 - (\$76,561) 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 - (\$96,773) and (36%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

Legal - (\$69,683) and (45%) – variance is due to lower than planned general legal support from member agencies and outside counsel.

PG&E Acquisition Consulting - \$181,940 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - \$52,299 and 25% - 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

New Member Expenses - (\$55,000) 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 - (\$210,312) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$181,940 of PG&E acquisition-related expenses.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2020

PREPARED ON JUNE 30, 2020

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

ASSETS

Cash and cash equivalents	\$	12,135,922
Accounts receivable, net of allowance		4,309,852
Accrued revenue		2,660,387
Prepaid expenses		9,913
Inventory - Renewable Energy Credits		
Other current assets and deposits		2,540
Total current assets		19,118,614
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,243,995
Total restricted assets		2,343,995
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	21,562,609

LIABILITIES

Current liabilities:		
Accounts payable	\$	568,649
Accrued payroll		9,776
Interest payable		4,710
Due to member agencies		64,817
Accrued cost of electricity		3,286,024
Other accrued liabilities		615,612
Security deposits - energy supplies		515,640
User taxes and energy surcharges		39,246
Current Portion of LT Debt		395,322
Total current liabilities		5,499,796
Noncurrent liabilities		
Term Loan- RCB		1,383,627
Total noncurrent liabilities		1,383,627
TOTAL LIABILITIES	\$	6,883,423

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,343,995
Unrestricted		12,198,293
TOTAL NET POSITION	\$	14,679,186

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

	FOR THE PERIOD ENDING MAY 31, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 4,987,988	\$ 48,532,940
TOTAL OPERATING REVENUES	<u>4,987,988</u>	<u>48,532,940</u>
OPERATING EXPENSES		
Cost of electricity	2,995,618	37,174,832
Contract services	206,193	2,636,592
Staff compensation	94,791	962,227
General, administration, and other	13,269	405,557
TOTAL OPERATING EXPENSES	<u>3,309,871</u>	<u>41,179,208</u>
TOTAL OPERATING INCOME (LOSS)	1,678,117	7,353,732
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,135	89,610
Interest and related expenses	(6,006)	(92,989)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,129</u>	<u>(3,379)</u>
CHANGE IN NET POSITION	1,681,246	7,350,353
Net position at beginning of period	12,997,940	7,328,833
Net position at end of period	<u>\$ 14,679,186</u>	<u>\$ 14,679,186</u>

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

	<u>FOR THE PERIOD ENDING MAY 31, 2020</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,808,514	\$ 50,835,485
Receipts for security deposits with energy suppliers		515,640
Payments to purchase electricity	(2,597,545)	(38,892,296)
Payments for contract services, general, and administration	(300,392)	(3,884,071)
Payments for staff compensation	(93,612)	(956,240)
Net cash provided (used) by operating activities	<u>(183,035)</u>	<u>7,618,518</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,944)	(197,661)
Interest and related expenses	(7,445)	(200,591)
Net cash provided (used) by non-capital financing activities	<u>(40,389)</u>	<u>(1,898,252)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,135	89,610
Net cash provided (used) by investing activities	<u>9,135</u>	<u>89,610</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(214,289)	5,809,876
Cash and cash equivalents at beginning of period	14,694,206	8,670,041
Cash and cash equivalents at end of period	<u>\$ 14,479,917</u>	<u>\$ 14,479,917</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	12,135,922	12,135,922
Restricted assets	2,343,995	2,343,995
Cash and cash equivalents at end of period	<u>\$ 14,479,917</u>	<u>\$ 14,479,917</u>

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

	<u>FOR THE PERIOD ENDING MAY 31, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,678,117	\$ 7,353,732
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(959,629.00)	685,421.00
(Increase) decrease in accrued revenue	(1,198,813)	1,635,326.00
(Increase) decrease in prepaid expenses	9,497	(9,913.00)
(Increase) decrease in inventory - renewable energy credits	-	207,168.00
Increase (decrease) in accounts payable	(27,072)	(17,471.00)
Increase (decrease) in accrued payroll	1,179	5,987.00
Increase (decrease) in due to member agencies	(69,012)	(345,492.00)
Increase (decrease) in accrued cost of electricity	398,073	(1,924,632.00)
Increase (decrease) in other accrued liabilities	5,657	(469,046.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	(21,032)	(18,202.00)
Net cash provided (used) by operating activities	\$ (183,035)	\$ 7,618,518

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 05-31-20

Description	5/31/2020	5/31/2020	YTD Variance	% over/-under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 48,532,938	\$ 49,299,971	\$ (767,033)	-2%
Interest Revenues	89,609	119,488	(29,879)	-25%
Purchased Power	37,174,833	36,707,141	467,691	1%
Labor & Benefits	962,230	1,084,177	(121,947)	-11%
Salaries & Wages/Benefits	386,891	561,583	(174,692)	-31%
Contract Labor	536,816	511,044	25,772	5%
Human Resources & Payroll	38,523	11,550	26,973	234%
Office Supplies & Other Expenses	120,634	117,243	3,391	3%
Technology Costs	10,505	8,492	2,013	24%
Office Supplies	4,075	1,134	2,940	259%
Travel	4,449	4,400	49	1%
CalCCA Dues	99,880	99,917	(37)	0%
Memberships	1,725	3,300	(1,575)	-48%
Contractual Services	2,636,543	2,672,922	(36,379)	-1%
Don Dame	12,628	16,500	(3,873)	-23%
SMUD - Credit Support	468,153	544,714	(76,561)	-14%
SMUD - Wholesale Energy Services	517,132	517,132	-	0%
SMUD - Call Center	611,235	626,802	(15,568)	-2%
SMUD - Operating Services	175,227	272,000	(96,773)	-36%
Legal	84,317	154,000	(69,683)	-45%
Regulatory Counsel	153,242	169,840	(16,598)	-10%
Joint Regulatory	38,420	27,500	10,920	40%
Legislative	55,000	55,000	-	0%
Accounting Services	15,018	22,000	(6,982)	-32%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	181,940	-	181,940	100%
Marketing Collateral	261,233	208,934	52,299	25%
Rents & Leases	17,381	16,183	1,198	7%
Hunt Boyer Mansion	17,381	16,183	1,198	7%
Other A&G	236,584	310,101	(73,517)	-24%
PG&E Data Fees	212,457	241,756	(29,299)	-12%
Community Engagement Activities & Sponsorships	2,826	5,500	(2,674)	-49%
Insurance	4,802	6,745	(1,944)	-29%
New Member Expenses	-	55,000	(55,000)	-100%
Banking Fees	16,500	1,100	15,400	1400%
Miscellaneous Operating Expenses	31,001	5,621	25,380	452%
Contingency	-	210,312	(210,312)	-100%
TOTAL OPERATING EXPENSES	\$ 41,179,206	\$ 41,123,701	\$ 55,505	0%
Interest Expense - Munis	14,965	51,075	(36,110)	-71%
Interest on RCB loan	66,267	78,690	(12,423)	-16%
Interest Expense - SMUD	11,756	12,922	(1,165)	-9%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 7,350,353	\$ 8,153,072	\$ (802,719)	-10%