

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Board of Directors

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

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

DATE: January 21, 2021

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of November 30, 2020 has a total of \$13,735,693 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,668,552 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of November 30, 2020 \$220,261. 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, but new obligations are incurred on a monthly basis due to staffing, accounting and legal services billed by Member agencies to VCE.

The term loan with River City Bank includes a current portion of \$395,322 and a long-term portion of \$1,185,966 as of November 30, 2020, for a total of \$1,581,288. At November 30, 2020, VCE's net position is \$17,203,274.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$4,039,000 of revenue (net of allowance for doubtful accounts) of which \$3,704,545 was billed in November and \$198,828 represent estimated unbilled revenue. The cost of the electricity for the November revenue totaled \$3,352,568. For November, VCEA's gross margin is approximately 17% and operating income totaled \$336,065. The year-to-date change in net position was \$615,590.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,528,838 due to November cash receipts of revenues being higher than the monthly cash operating expenses.

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

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

Electric Revenue - \$4,036,394 and 15% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated and the weather has been warmer than forecast.

Purchased Power - \$4,275,035 and 18% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven't been as severe as anticipated and the weather has been warmer than forecast.

Contingency – (\$101,361) 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) November 1, 2020 to November 30, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending November 30, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2020

PREPARED ON DECEMBER 28, 2020

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

ASSETS

Current assets:

Cash and cash equivalents	\$	13,735,693
Accounts receivable, net of allowance		5,167,338
Accrued revenue		2,313,286
Prepaid expenses		13,136
Inventory - Renewable Energy Credits		913,310
Other current assets and deposits		6,883
Total current assets		<u>22,149,646</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,668,552
Total restricted assets		<u>2,768,552</u>

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		<u>100,000</u>
TOTAL ASSETS	\$	<u>25,018,198</u>

LIABILITIES

Current liabilities:

Accounts payable	\$	545,434
Accrued payroll		22,751
Interest payable		3,945
Due to member agencies		220,261
Accrued cost of electricity		3,423,335
Other accrued liabilities		(530,870)
Security deposits - energy supplies		2,506,140
User taxes and energy surcharges		42,640
Current Portion of LT Debt		395,322
Total current liabilities		<u>6,628,958</u>

Noncurrent liabilities

Term Loan- RCB		1,185,966
Total noncurrent liabilities		<u>1,185,966</u>
TOTAL LIABILITIES	\$	<u>7,814,924</u>

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,768,552
Unrestricted		14,210,222
TOTAL NET POSITION	\$	<u>17,203,274</u>

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

	FOR THE PERIOD ENDING NOVEMBER 30, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 4,039,000	\$ 30,120,120
TOTAL OPERATING REVENUES	<u>4,039,000</u>	<u>30,120,120</u>
OPERATING EXPENSES		
Cost of electricity	3,352,568	27,568,060
Contract services	197,886	1,242,130
Staff compensation	95,837	469,610
General, administration, and other	56,644	225,806
TOTAL OPERATING EXPENSES	<u>3,702,935</u>	<u>29,505,606</u>
TOTAL OPERATING INCOME (LOSS)	336,065	614,514
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,022	26,720
Interest and related expenses	(4,704)	(25,644)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(682)</u>	<u>1,076</u>
CHANGE IN NET POSITION	335,383	615,590
Net position at beginning of period	16,867,891	16,587,684
Net position at end of period	<u>\$ 17,203,274</u>	<u>\$ 17,203,274</u>

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

	FOR THE PERIOD ENDING NOVEMBER 30, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 5,549,662	\$ 31,555,271
Receipts for security deposits with energy suppliers	1,647,000	1,990,500
Payments to purchase electricity	(5,117,903)	(29,649,462)
Payments for contract services, general, and administration	(456,669)	(2,580,932)
Payments for staff compensation	(93,252)	(458,663)
Other cash payments	-	(4,343)
Net cash provided (used) by operating activities	1,528,838	852,371
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,944)	(164,718)
Interest and related expenses	(4,962)	(26,134)
Net cash provided (used) by non-capital financing activities	(37,906)	(190,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,022	26,720
Net cash provided (used) by investing activities	4,022	26,720
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,494,954	688,239
Cash and cash equivalents at beginning of period	15,009,291	15,816,006
Cash and cash equivalents at end of period	\$ 16,504,245	\$ 16,504,245
Cash and cash equivalents included in:		
Cash and cash equivalents	13,735,693	13,735,693
Restricted assets	2,768,552	2,768,552
Cash and cash equivalents at end of period	\$ 16,504,245	\$ 16,504,245

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

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ 336,065	\$ 614,514
(Increase) decrease in net accounts receivable	1,765,935.00	\$ 792,873
(Increase) decrease in accrued revenue	(200,358)	\$ 659,909
(Increase) decrease in prepaid expenses	10,011	\$ (12,511)
(Increase) decrease in inventory - renewable energy credits	(63,910)	\$ (913,310)
(Increase) decrease in other assets and deposits	-	\$ (4,343)
Increase (decrease) in accounts payable	2,828	\$ (96,966)
Increase (decrease) in accrued payroll	2,585	\$ 10,947
Increase (decrease) in due to member agencies	21,500	\$ 103,795
Increase (decrease) in accrued cost of electricity	(1,701,425)	\$ (1,168,092)
Increase (decrease) in other accrued liabilities	(236,478)	\$ (1,107,314)
Increase (decrease) security deposits with energy suppliers	1,647,000	\$ 1,990,500
Increase (decrease) in user taxes and energy surcharges	(54,915)	\$ (17,631)
Net cash provided (used) by operating activities	<u>\$ 1,528,838</u>	<u>\$ 852,371</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 11-30-20

Description	11/30/2020	11/30/2020	YTD Variance	% over/-under
	YTD FY2021 Actuals	YTD FY2021 Budget		
Electric Revenue	\$ 30,120,120	\$ 26,083,726	\$ 4,036,394	15%
Interest Revenues	26,719	43,323	(16,604)	-38%
Purchased Power	27,568,057	23,293,022	4,275,035	18%
Labor & Benefits	469,610	493,697	(24,087)	-5%
Salaries & Wages/Benefits	314,229	343,520	(29,291)	-9%
Contract Labor	116,665	102,565	14,100	14%
Human Resources & Payroll	38,716	47,611	(8,895)	-19%
Office Supplies & Other Expenses	62,269	61,179	1,090	2%
Technology Costs	13,660	8,957	4,704	53%
Office Supplies	439	960	(521)	-54%
Travel	-	2,540	(2,540)	-100%
CalCCA Dues	47,970	47,972	(2)	0%
Memberships	200	750	(550)	-73%
Contractual Services	1,245,581	1,313,924	(68,343)	-5%
LEAN Energy	3,450	10,000	(6,550)	-66%
Don Dame	1,458	4,167	(2,709)	-65%
SMUD - Credit Support	289,244	266,115	23,129	9%
SMUD - Wholesale Energy Services	239,860	240,231	(371)	0%
SMUD - Call Center	304,575	303,960	615	0%
SMUD - Operating Services	112,474	135,000	(22,526)	-17%
Legal Bankruptcy	-	10,250	(10,250)	-100%
Legal General Counsel	16,773	61,500	(44,727)	-73%
Regulatory Counsel	102,793	79,130	23,663	30%
Joint CCA Regulatory counsel	9,605	12,813	(3,208)	-25%
Legislative	25,000	25,625	(625)	-2%
Accounting Services	11,390	10,250	1,140	11%
Audit Fees	43,100	59,963	(16,863)	-28%
PG&E Acquisition Consulting	849	-	849	100%
Marketing Collateral	85,010	94,921	(9,911)	-10%
Rents & Leases	5,791	7,240	(1,449)	-20%
Hunt Boyer Mansion	5,791	7,240	(1,449)	-20%
Other A&G	152,290	148,559	3,731	3%
PG&E Data Fees	133,669	122,042	11,627	10%
Community Engagement Activities & Sponsorships	2,036	2,563	(527)	-21%
Insurance	2,085	3,143	(1,058)	-34%
New Member Expenses	-	18,500	(18,500)	-100%
Banking Fees	14,500	513	13,988	2729%
Program Costs	-	1,800	(1,800)	-100%
Miscellaneous Operating Expenses	2,008	2,619	(611)	-23%
Contingency	-	101,361	(101,361)	-100%
TOTAL OPERATING EXPENSES	\$ 29,505,606	\$ 25,421,599	\$ 4,084,007	16%
Interest Expense - Munis	-	-	-	#DIV/0!
Interest on RCB loan	24,997	25,488	(491)	-2%
Interest Expense - SMUD	646	646	-	0%
NET INCOME	\$ 615,590	\$ 679,315	\$ (63,725)	-9%