

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

DATE: December 10, 2020

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of October 31, 2020 has a total of \$12,481,563 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,427,730 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of October 31, 2020 \$198,761. VCE also incurred obligations from SMUD but as of October 31, 2020 has paid it off and owes \$0. 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 \$1,218,910 as of October 31, 2020, for a total of \$1,614,232. At October 31, 2020, VCE's net position is \$16,867,893.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$5,598,376 of revenue (net of allowance for doubtful accounts) of which \$5,910,374 was billed in October and \$511,101 represent estimated unbilled revenue. The cost of the electricity for the October revenue totaled \$5,551,318. For October, VCEA's gross margin is approximately 1% and the operating loss totaled (\$338,154). The year-to-date change in net position was \$280,207.

In the Statement of Cash Flows, VCEA cash flows from operations was \$1,150,009 due to October cash receipts of revenues being higher than the monthly cash operating expenses.

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

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

Electric Revenue - \$2,976,118 and 13% – 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 - \$4,008,687 and 20% – 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 – (\$83,704) 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) October 1, 2020 to October 31, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending October 31, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2020

PREPARED ON NOVEMBER 27, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
OCTOBER 31, 2020
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	12,481,563
Accounts receivable, net of allowance		6,933,273
Accrued revenue		2,112,928
Prepaid expenses		23,147
Inventory - Renewable Energy Credits		849,400
Other current assets and deposits		6,883
Total current assets		22,407,194

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,427,730
Total restricted assets		2,527,730

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	25,034,924

LIABILITIES

Current liabilities:

Accounts payable	\$	542,606
Accrued payroll		20,166
Interest payable		4,203
Due to member agencies		198,761
Accrued cost of electricity		5,124,760
Other accrued liabilities		(294,392)
Security deposits - energy supplies		859,140
User taxes and energy surcharges		97,555
Current Portion of LT Debt		395,322
Total current liabilities		6,948,121

Noncurrent liabilities

Term Loan- RCB		1,218,910
Total noncurrent liabilities		1,218,910
TOTAL LIABILITIES	\$	8,167,031

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,527,730
Unrestricted		14,115,663
TOTAL NET POSITION	\$	16,867,893

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

	FOR THE PERIOD ENDING OCTOBER 31, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 5,598,376	\$ 26,081,120
TOTAL OPERATING REVENUES	5,598,376	26,081,120
OPERATING EXPENSES		
Cost of electricity	5,551,318	24,215,492
Contract services	231,883	1,044,244
Staff compensation	93,518	373,773
General, administration, and other	59,811	169,162
TOTAL OPERATING EXPENSES	5,936,530	25,802,671
TOTAL OPERATING INCOME (LOSS)	(338,154)	278,449
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,591	22,698
Interest and related expenses	(4,962)	(20,940)
TOTAL NONOPERATING REVENUES (EXPENSES)	(371)	1,758
CHANGE IN NET POSITION	(338,525)	280,207
Net position at beginning of period	17,206,416	16,587,684
Net position at end of period	\$ 16,867,891	\$ 16,867,891

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

	FOR THE PERIOD ENDING OCTOBER 31, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,388,149	\$ 26,005,609
Receipts for security deposits with energy suppliers	420,000	343,500
Payments to purchase electricity	(4,809,243)	(24,531,559)
Payments for contract services, general, and administration	(756,721)	(2,124,263)
Payments for staff compensation	(92,176)	(365,411)
Other cash payments	-	(4,343)
Net cash provided (used) by operating activities	1,150,009	(676,467)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,943)	(131,774.00)
Interest and related expenses	(4,900)	(21,172.00)
Net cash provided (used) by non-capital financing activities	(37,843)	(152,946.00)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,591	22,698.00
Net cash provided (used) by investing activities	4,591	22,698
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,116,757	(806,715)
Cash and cash equivalents at beginning of period	13,892,534	15,816,006
Cash and cash equivalents at end of period	\$ 15,009,291	\$ 15,009,291
Cash and cash equivalents included in:		
Cash and cash equivalents	12,481,563	11,365,680
Restricted assets	2,527,730	2,526,854
Cash and cash equivalents at end of period	\$ 15,009,293	\$ 13,892,534

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

	FOR THE PERIOD ENDING OCTOBER 31, 2020	YEAR TO DATE
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ (338,154)	\$ 278,449
(Increase) decrease in net accounts receivable	258,569.00	\$ (973,062)
(Increase) decrease in accrued revenue	512,868	\$ 860,267
(Increase) decrease in prepaid expenses	(21,272)	\$ (22,522)
(Increase) decrease in inventory - renewable energy cre	424,700	\$ (849,400)
(Increase) decrease in other assets and deposits	-	\$ (4,343)
Increase (decrease) in accounts payable	(144,935)	\$ (99,794)
Increase (decrease) in accrued payroll	1,342	\$ 8,362
Increase (decrease) in due to member agencies	21,500	\$ 82,295
Increase (decrease) in accrued cost of electricity	317,375	\$ 533,333
Increase (decrease) in other accrued liabilities	(320,320)	\$ (870,836)
Increase (decrease) security deposits with energy supplie	420,000	\$ 343,500
Increase (decrease) in user taxes and energy surcharges	18,336	\$ 37,284
Net cash provided (used) by operating activities	\$ 1,150,009	\$ (676,467)

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 10-31-20

Description	10/31/2020	10/31/2020	YTD Variance	% over/-under
	YTD FY2021 Actuals	YTD FY2021 Budget		
Electric Revenue	\$ 26,081,120	\$ 23,105,002	\$ 2,976,118	13%
Interest Revenues	22,697	32,232	(9,535)	-30%
Purchased Power	24,215,489	20,206,802	4,008,687	20%
Labor & Benefits	373,773	405,658	(31,885)	-8%
Salaries & Wages/Benefits	250,317	268,983	(18,666)	-7%
Contract Labor	93,332	99,580	(6,248)	-6%
Human Resources & Payroll	30,124	37,096	(6,972)	-19%
Office Supplies & Other Expenses	50,472	48,943	1,529	3%
Technology Costs	11,457	7,165	4,292	60%
Office Supplies	439	768	(329)	-43%
Travel	-	2,032	(2,032)	-100%
CalCCA Dues	38,376	38,378	(2)	0%
Memberships	200	600	(400)	-67%
Contractual Services	1,046,919	1,097,317	(50,398)	-5%
LEAN Energy	2,675	8,000	(5,325)	-67%
Don Dame	1,225	3,333	(2,108)	-63%
SMUD - Credit Support	254,495	226,254	28,241	12%
SMUD - Wholesale Energy Services	191,888	192,185	(297)	0%
SMUD - Call Center	241,579	242,015	(436)	0%
SMUD - Operating Services	110,562	130,000	(19,438)	-15%
Legal Bankruptcy	-	8,200	(8,200)	-100%
Legal General Counsel	13,553	49,200	(35,647)	-72%
Regulatory Counsel	89,856	63,304	26,552	42%
Joint CCA Regulatory counsel	3,139	10,250	(7,111)	-69%
Legislative	20,000	20,500	(500)	-2%
Accounting Services	9,790	8,200	1,590	19%
Audit Fees	43,100	59,963	(16,863)	-28%
PG&E Acquisition Consulting	806	-	806	100%
Marketing Collateral	64,251	75,913	(11,662)	-15%
Rents & Leases	5,791	5,792	(1)	0%
Hunt Boyer Mansion	5,791	5,792	(1)	0%
Other A&G	108,933	114,283	(5,350)	-5%
PG&E Data Fees	90,729	97,609	(6,880)	-7%
Community Engagement Activities & Sponsorships	2,036	2,050	(14)	-1%
Insurance	1,668	2,514	(846)	-34%
New Member Expenses	-	10,500	(10,500)	-100%
Banking Fees	14,500	410	14,090	3437%
Program Costs	-	1,200	(1,200)	-100%
Miscellaneous Operating Expenses	1,294	2,095	(801)	-38%
Contingency	-	83,704	(83,704)	-100%
TOTAL OPERATING EXPENSES	\$ 25,802,671	\$ 21,964,594	\$ 3,838,077	17%
Interest Expense - Munis	-	-	-	#DIV/0!
Interest on RCB loan	20,293	20,526	(233)	-1%
Interest Expense - SMUD	646	646	-	0%
NET INCOME	\$ 280,207	\$ 1,151,468	\$ (871,261)	-76%