

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 6**

TO: Board of Directors

FROM: Edward Burnham, Finance and Operations Director
Mitch Sears, Executive Director

SUBJECT: Financial Update – October 31, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2022

DATE: December 8, 2022

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of October 1, 2022 to October 31, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2022.

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, 2022.

Financial Statements for the period October 1, 2022 – October 31, 2022

In the Statement of Net Position, VCEA, as of October 31, 2021, has a total of \$619,754 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$1,572,704 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of October

31, 2021, \$1,924. VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$798,882. The line of credit with the County of Yolo has an outstanding balance of \$3,000,000. On October 31, 2022, VCE's net position is \$14,151,088.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$6,579,529 of revenue (net of allowance for doubtful accounts), of which \$7,345,373 was billed in October, and \$3,832,335 represent estimated unbilled revenue. The cost of electricity for the October revenue amount totaled \$4,688,554. For October, VCEA's gross margin was approximately 29% and net income totaled \$1,455,897. The year-to-date change in net position was \$4,416,839.

In the Statement of Cash Flows, VCEA cash flows from operations were (\$2,550,886) due to October cash receipts of revenues being less than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending October 31, 2022

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

- Electric Revenue – (\$4,029,705) and -5% – Unfavorable variance due to The 2022 Budget incorporated revenues associated with extreme temperatures and drought conditions. These revenues have not fully materialized in the actuals for 2022.
- Purchased Power – (\$7,952,209) and -14% – Unfavorable variance due to warmer weather than forecast during the winter months, heat storms in June and October, and gas prices driving short-term power market increases.
- Marketing Collateral – 56 953 and -28% – favorable variance related to the delay of engagement activities related normalization post COVID-19.

Attachments:

- 1) Financial Statements (Unaudited) October 1, 2022 to October 31, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending October 31, 2022



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2022

PREPARED ON NOVEMBER 30, 2022

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
OCTOBER 31, 2022
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	619,754
Accounts receivable, net of allowance		14,761,248
Accrued revenue		3,832,336
Prepaid expenses		41,399
Other current assets and deposits		2,139,195
Total current assets		<u>21,393,932</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,572,704
Total restricted assets		<u>2,672,704</u>

TOTAL ASSETS	\$	<u>24,066,636</u>
---------------------	-----------	--------------------------

LIABILITIES

Current liabilities:

Accounts payable	\$	538,865
Accrued payroll		72,078
Interest payable		4,242
Due to member agencies		840
Accrued cost of electricity		3,350,579
Other accrued liabilities		67,550
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		102,512
Limited Term Loan		798,882
Loan - County of Yolo		3,000,000
Total current liabilities		<u>9,915,548</u>

Total noncurrent liabilities		-
------------------------------	--	---

TOTAL LIABILITIES	\$	<u>9,915,548</u>
--------------------------	-----------	-------------------------

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,672,704
Unrestricted		11,253,884
TOTAL NET POSITION	\$	<u>14,151,088</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF OCTOBER 1, 2022 TO OCTOBER 31, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING OCTOBER 31, 2022	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 6,579,259	\$ 73,780,794
Other revenue	\$ 50,060	1,158,283
TOTAL OPERATING REVENUES	<u>\$ 6,629,319</u>	<u>74,939,077</u>
OPERATING EXPENSES		
Cost of electricity	\$ 4,688,554	65,450,847
Contract services	\$ 255,421	2,246,970
Staff compensation	\$ 117,499	1,052,498
General, administration, and other	\$ 116,113	1,765,065
TOTAL OPERATING EXPENSES	<u>\$ 5,177,587</u>	<u>70,515,380</u>
TOTAL OPERATING INCOME (LOSS)	\$ 1,451,732	4,423,697
NONOPERATING REVENUES (EXPENSES)		
Interest income	\$ 6,455	26,819
Interest and related expenses	\$ (2,290)	(33,677)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>\$ 4,165</u>	<u>(6,858)</u>
CHANGE IN NET POSITION	\$ 1,455,897	4,416,839
Net position at beginning of period	\$ 12,695,191	9,734,249
Net position at end of period	<u>\$ 14,151,088</u>	<u>\$ 14,151,088</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING OCTOBER 31, 2022</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 9,181,249	\$ 64,247,297
Payments received from other revenue sources	\$ 50,060	1,158,283
Payments to purchase electricity	\$ (11,299,186)	(67,348,242)
Payments for contract services, general, and administration	\$ (370,763)	(3,493,881)
Payments for staff compensation	\$ (112,246)	(1,044,329)
Net cash provided (used) by operating activities	<u>\$ (2,550,886)</u>	<u>(6,480,872)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	\$ (43,160)	2,645,856
Interest and related expenses	\$ (2,506)	(32,221)
Net cash provided (used) by non-capital financing activities	<u>\$ (45,666)</u>	<u>2,613,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	\$ 6,455	26,819
Net cash provided (used) by investing activities	<u>\$ 6,455</u>	<u>26,819</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ (2,590,097)	(3,981,337)
Cash and cash equivalents at beginning of period	\$ 5,882,555	5,882,555
Cash and cash equivalents at end of period	<u>\$ 3,292,458</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 619,754	619,754
Restricted assets	\$ 2,672,704	2,672,704
Cash and cash equivalents at end of period	<u>\$ 3,292,458</u>	<u>\$ 3,292,458</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING OCTOBER 31, 2022	YEAR TO DATE
--	--	--------------

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ 1,451,732	\$ 4,423,697
(Increase) decrease in net accounts receivable	1,918,305.00	(7,453,403.41)
(Increase) decrease in accrued revenue	667,847	(2,064,142.74)
(Increase) decrease in prepaid expenses	7,717	843,831.00
(Increase) decrease in other assets and deposits	-	(140,919.00)
Increase (decrease) in accounts payable	(14,753)	94,123.00
Increase (decrease) in accrued payroll	5,253	8,169.00
Increase (decrease) in due to member agencies	(1,084)	(117,105.00)
Increase (decrease) in accrued cost of electricity	(6,610,632)	(1,981,590.00)
Increase (decrease) in other accrued liabilities	8,891	(218,200.00)
Increase (decrease) in user taxes and energy surcharges	15,838	(16,250.90)
Net cash provided (used) by operating activities	\$ (2,550,886)	\$ (6,621,791)

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 10/31/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 73,780,795	\$ 77,810,500	\$ (4,029,705)	-5%
Other Revenues - Programs	\$ 1,158,283	\$ -	\$ 1,158,283	100%
Interest Revenues	\$ 27,144	\$ 15,000	\$ 12,144	81%
Purchased Power	\$ 65,450,847	\$ 57,490,600	\$ (7,954,209)	-14%
Purchased Power Base	\$ 65,444,809	\$ 56,549,700	\$ (8,895,109)	-16%
Purchased Power Contingency 2%	\$ -	\$ 940,900	\$ 940,900	100%
Labor & Benefits	\$ 1,053,494	\$ 1,085,000	\$ 31,506	3%
Salaries & Wages/Benefits	\$ 872,705	\$ 908,000	\$ 35,295	4%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 35,000	\$ 35,000	100%
Human Resources & Payroll	\$ 180,789	\$ 142,000	\$ (38,789)	-27%
Office Supplies & Other Expenses	\$ 188,980	\$ 168,600	\$ (20,380)	-12%
Technology Costs	\$ 54,518	\$ 33,600	\$ (20,918)	-62%
Office Supplies	\$ 9,682	\$ 2,000	\$ (7,682)	-384%
Travel	\$ 2,183	\$ 5,000	\$ 2,817	56%
CalCCA Dues	\$ 94,707	\$ 106,000	\$ 11,293	11%
CC Power	\$ 26,891	\$ 20,000	\$ (6,891)	-34%
Memberships	\$ 1,000	\$ 2,000	\$ 1,000	50%
Contractual Services	\$ 2,074,843	\$ 2,187,900	\$ 113,057	5%
Other Contract Services	\$ -	\$ 21,000	\$ 21,000	100%
Don Dame	\$ 8,747	\$ 8,400	\$ (347)	-4%
SMUD - Credit Support	\$ 454,058	\$ 459,600	\$ 5,542	1%
SMUD - Wholesale Energy Services	\$ 500,370	\$ 493,200	\$ (7,170)	-1%
SMUD - Call Center	\$ 669,199	\$ 664,300	\$ (4,899)	-1%
SMUD - Operating Services	\$ 54,935	\$ 50,400	\$ (4,535)	-9%
Commercial Legal Support	\$ 7,848	\$ -	\$ (7,848)	100%
Legal General Counsel	\$ 81,730	\$ 129,000	\$ 47,270	37%
Regulatory Counsel	\$ 167,016	\$ 166,000	\$ (1,016)	-1%
Joint CCA Regulatory counsel	\$ 28,605	\$ 27,000	\$ (1,605)	-6%
Legislative - (Lobbyist)	\$ 50,000	\$ 50,400	\$ 400	1%
Accounting Services	\$ 6,968	\$ 22,000	\$ 15,032	68%
Financial Consultant	\$ -	\$ 21,000	\$ 21,000	100%
Audit Fees	\$ 45,368	\$ 75,600	\$ 30,232	40%
Marketing	\$ 143,247	\$ 205,000	\$ 61,753	30%
Marketing Collateral	\$ 143,047	\$ 200,000	\$ 56,953	28%
Community Engagement Activities & Sponsorships	\$ 200	\$ 5,000	\$ 4,800	96%
Programs	\$ 1,162,207	\$ 145,000	\$ (1,017,207)	-702%
Program Costs	\$ 114,455	\$ 145,000	\$ 30,546	21%
Programs - AgFIT	\$ 1,047,753	\$ -	\$ (1,047,753)	100%
Rents & Leases	\$ 14,400	\$ 18,000	\$ 3,600	20%
Hunt Boyer Mansion	\$ 14,400	\$ 18,000	\$ 3,600	20%
Other A&G	\$ 377,571	\$ 304,600	\$ (72,971)	-24%
Development - New Members	\$ -	\$ 21,000	\$ 21,000	100%
Strategic Plan Implementation	\$ 5,334	\$ 38,200	\$ 32,866	86%
PG&E Data Fees	\$ 219,326	\$ 230,000	\$ 10,674	5%
Insurance	\$ 11,039	\$ 7,000	\$ (4,039)	-58%
Banking Fees	\$ 141,872	\$ 8,400	\$ (133,472)	-1589%
Miscellaneous Operating Expenses	\$ 176	\$ 600	\$ 424	71%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
TOTAL OPERATING EXPENSES	\$ 70,465,767	\$ 61,625,300	\$ (8,840,467)	-14%
Interest on RCB loan	\$ 31,181	\$ 28,900	\$ 2,281	8%
Interest Expense - Bridge Loan	\$ 2,496	\$ 66,600	\$ (64,104)	-96%
NET INCOME	\$ 4,466,779	\$ 16,104,700	\$ (11,637,921)	-72%