

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 – September 30, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2020

DATE: November 12, 2020

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of September 30, 2020 has a total of \$11,365,680 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,426,854 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of September 30, 2020 \$177,261. VCE also incurred obligations from SMUD but as of September 30, 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 \$1,251,853 as of September 30, 2020, for a total of \$1,647,175. At September 30, 2020, VCE's net position is \$17,206,416.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$6,504,933 of revenue (net of allowance for doubtful accounts) of which \$6,696,337 was billed in September and \$441,799 represent estimated unbilled revenue. The cost of the electricity for the September revenue totaled \$5,289,582. For September, VCEA's gross margin is approximately 19% and the operating income totaled \$846,207. The year-to-date change in net position was \$618,732.

In the Statement of Cash Flows, VCEA cash flows from operations was (\$2,300,272) due to September cash receipts of revenues being lower than the monthly cash operating expenses.

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

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

Electric Revenue - \$1,934,025 and 10% – 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.

Purchased Power - \$1,901,989 and 11% – 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.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2020

PREPARED ON OCTOBER 28, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020
(WITH COMPARATIVE INFORMATION FROM PRIOR PERIODS)
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)
(UNAUDITED)

ASSETS

Current assets:

Cash in Yolo County Treasury		
Cash and cash equivalents	\$	11,365,680
Accounts receivable, net of allowance		7,191,842
Accrued revenue		2,625,796
Prepaid expenses		1,875
Inventory - Renewable Energy Credits		1,274,100
Other current assets and deposits		6,883
Total current assets		22,466,176

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,426,854
Total restricted assets		2,526,854

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	25,093,030

LIABILITIES

Current liabilities:

Accounts payable	\$	687,541
Accrued payroll		18,824
Interest payable		4,141
Due to member agencies		177,261
Accrued cost of electricity		4,807,385
Other accrued liabilities		25,928
Security deposits - energy supplies		439,140
User taxes and energy surcharges		79,219
Current Portion of LT Debt		395,322
Total current liabilities		6,634,761

Noncurrent liabilities

Term Loan- RCB		1,251,853
Loans from member agencies		
Total noncurrent liabilities		1,251,853
TOTAL LIABILITIES	\$	7,886,614

NET POSITION

Restricted		
Local Programs Reserve		136,898
Restricted		2,526,854
Unrestricted		14,542,664
TOTAL NET POSITION	\$	17,206,416

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

	FOR THE PERIOD ENDING SEPTEMBER 30, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 6,504,933	\$ 20,482,744
TOTAL OPERATING REVENUES	6,504,933	20,482,744
OPERATING EXPENSES		
Cost of electricity	5,289,582	18,664,174
Contract services	243,679	812,361
Staff compensation	93,441	280,255
General, administration, and other	32,024	109,351
TOTAL OPERATING EXPENSES	5,658,726	19,866,141
TOTAL OPERATING INCOME (LOSS)	846,207	616,603
NONOPERATING REVENUES (EXPENSES)		
Interest income	4,931	18,107
Interest and related expenses	(5,009)	(15,978)
TOTAL NONOPERATING REVENUES (EXPENSES)	(78)	2,129
CHANGE IN NET POSITION	846,129	618,732
Net position at beginning of period	16,360,287	16,587,684
Net position at end of period	\$ 17,206,416	\$ 17,206,416

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

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2020</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 7,205,363	\$ 19,617,460
Receipts for security deposits with energy suppliers	18,000	(76,500)
Payments to purchase electricity	(8,768,315)	(19,722,316)
Payments for contract services, general, and administration	(659,195)	(1,367,542)
Payments for staff compensation	(91,782)	(273,235)
Other cash payments	(4,343)	(4,343)
Net cash provided (used) by operating activities	<u>(2,300,272)</u>	<u>(1,826,476)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,944)	(98,831)
Interest and related expenses	(5,274)	(16,272)
Net cash provided (used) by non-capital financing activities	<u>(38,218)</u>	<u>(115,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	4,931	18,107
Net cash provided (used) by investing activities	<u>4,931</u>	<u>18,107</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,333,559)	(1,923,472)
Cash and cash equivalents at beginning of period	16,226,093	15,816,006
Cash and cash equivalents at end of period	<u>\$ 13,892,534</u>	<u>\$ 13,892,534</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	11,365,680	11,365,680
Restricted assets	2,526,854	2,526,854
Cash and cash equivalents at end of period	<u>\$ 13,892,534</u>	<u>\$ 13,892,534</u>

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

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2020</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ 846,207	\$ 616,603
(Increase) decrease in net accounts receivable	235,532.00	(1,231,631.00)
(Increase) decrease in accrued revenue	443,322	347,399.00
(Increase) decrease in prepaid expenses	10,011	(1,250.00)
(Increase) decrease in inventory - renewable energy crea	424,700	(1,274,100.00)
(Increase) decrease in other assets and deposits	(4,343)	(4,343.00)
Increase (decrease) in accounts payable	(31,346)	45,141.00
Increase (decrease) in accrued payroll	1,659	7,020.00
Increase (decrease) in due to member agencies	18,900	60,795.00
Increase (decrease) in accrued cost of electricity	(3,903,433)	215,958.00
Increase (decrease) in other accrued liabilities	(381,057)	(550,516.00)
Increase (decrease) security deposits with energy supplie	18,000	(76,500.00)
Increase (decrease) in user taxes and energy surcharges	21,576	18,948.00
Net cash provided (used) by operating activities	<u>\$ (2,300,272)</u>	<u>\$ (1,826,476)</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 09-30-20

Description	9/30/2021	9/30/2021	YTD Variance	% over/-under
	YTD FY2021 Actuals	YTD FY2021 Budget		
Electric Revenue	\$ 20,482,744	\$ 18,548,719	\$ 1,934,025	10%
Interest Revenues	18,107	22,481	(4,374)	-19%
Purchased Power	18,664,174	16,762,188	1,901,986	11%
Labor & Benefits	280,253	317,620	(37,367)	-12%
Salaries & Wages/Benefits	188,048	194,445	(6,397)	-3%
Contract Labor	69,999	96,594	(26,595)	-28%
Human Resources & Payroll	22,206	26,580	(4,374)	-16%
Office Supplies & Other Expenses	38,395	36,707	1,688	5%
Technology Costs	9,184	5,374	3,810	71%
Office Supplies	429	576	(147)	-26%
Travel	-	1,524	(1,524)	-100%
CalCCA Dues	28,782	28,783	(1)	0%
Memberships	-	450	(450)	-100%
Contractual Services	814,587	831,479	(16,892)	-2%
LEAN Energy	2,225	6,000	(3,775)	-63%
Don Dame	700	2,500	(1,800)	-72%
SMUD - Credit Support	199,155	182,675	16,480	9%
SMUD - Wholesale Energy Services	143,916	144,139	(223)	0%
SMUD - Call Center	180,843	180,670	173	0%
SMUD - Operating Services	103,116	125,000	(21,884)	-18%
Legal Bankruptcy	-	6,150	(6,150)	-100%
Legal General Counsel	10,368	36,900	(26,532)	-72%
Regulatory Counsel	56,829	47,478	9,351	20%
Joint CCA Regulatory counsel	2,771	7,688	(4,917)	-64%
Legislative	15,000	15,375	(375)	-2%
Accounting Services	4,095	6,150	(2,055)	-33%
Audit Fees	43,100	13,838	29,263	211%
PG&E Acquisition Consulting	943	-	943	100%
Marketing Collateral	51,526	56,917	(5,391)	-9%
Rents & Leases	4,343	4,344	(1)	0%
Hunt Boyer Mansion	4,343	4,344	(1)	0%
Other A&G	64,212	84,019	(19,807)	-24%
PG&E Data Fees	60,925	73,188	(12,263)	-17%
Community Engagement Activities & Sponsorships	2,036	1,538	499	32%
Insurance	1,251	1,886	(635)	-34%
New Member Expenses	-	6,500	(6,500)	-100%
Banking Fees	-	308	(308)	-100%
Program Costs	-	600	(600)	-100%
Miscellaneous Operating Expenses	178	1,571	(1,393)	-89%
Contingency	-	63,787	(63,787)	-100%
TOTAL OPERATING EXPENSES	\$ 19,866,142	\$ 18,101,715	\$ 1,764,427	10%
Interest Expense - Munis	-	-	-	#DIV/0!
Interest on RCB loan	15,331	15,626	(295)	-2%
Interest Expense - SMUD	646	646	-	0%
NET INCOME	\$ 618,732	\$ 453,214	\$ 165,518	37%