

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 – September 30, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2022

DATE: November 10, 2022

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of September 1, 2022 to September 30, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 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 September 30, 2022.

Financial Statements for the period September 1, 2022 – September 30, 2022

In the Statement of Net Position, VCEA, as of September 30, 2021, has a total of \$3,756,413 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 \$1,026,142 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of September 30, 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 \$842,042. The line of credit with the County of Yolo has an outstanding balance of \$3,000,000. On September 30, 2022, VCE's net position is \$12,695,191.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$9,792,177 of revenue (net of allowance for doubtful accounts), of which \$11,186,238 was billed in September, and \$4,500,183 represent estimated unbilled revenue. The cost of electricity for the September revenue amount totaled \$11,737,194. For September, VCEA's gross margin was approximately (20%) and net income totaled (\$2,331,482). The year-to-date change in net position was \$2,960,942.

In the Statement of Cash Flows, VCEA cash flows from operations were (\$310,014) due to September cash receipts of revenues being less than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending September 30, 2022

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

- Electric Revenue – (\$3,484,964) 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 – (\$8,509,855) and -16% – Unfavorable variance due to warmer weather than forecast during the winter months, heat storms in June and September, and gas prices driving short-term power market increases.
- Interest Expense - Bridge Loan – (57,804) and -96% - Favorable variance due to use of power purchase reserve account funds and favorable loan terms with the County of Yolo.

Attachments:

- 1) Financial Statements (Unaudited) September 1, 2022 to September 30, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending September 30, 2022



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2022

PREPARED ON NOVEMBER 5, 2022

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	3,756,413
Accounts receivable, net of allowance		16,679,553
Accrued revenue		4,500,183
Prepaid expenses		49,116
Other current assets and deposits		2,139,195
Total current assets		<u>27,124,460</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,026,142
Total restricted assets		<u>2,126,142</u>

TOTAL ASSETS

\$ 29,250,602

LIABILITIES

Current liabilities:

Accounts payable	\$	553,618
Accrued payroll		66,825
Interest payable		4,458
Due to member agencies		1,924
Accrued cost of electricity		9,961,211
Other accrued liabilities		58,659
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		86,674
Limited Term Loan		842,042
Loan - County of Yolo		3,000,000
Total current liabilities		<u>16,555,411</u>

Total noncurrent liabilities

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TOTAL LIABILITIES

\$ 16,555,411

NET POSITION

Restricted

Local Programs Reserve 224,500

Restricted

2,126,142

Unrestricted

10,344,549

TOTAL NET POSITION

\$ 12,695,191

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF SEPTEMBER 1, 2022 TO SEPTEMBER 30, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING SEPTEMBER 30, 2022	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 9,792,177	\$ 67,201,535
Other revenue	25	1,108,223
TOTAL OPERATING REVENUES	9,792,202	68,309,758
OPERATING EXPENSES		
Cost of electricity	11,737,194	60,762,293
Contract services	269,783	1,991,549
Staff compensation	100,061	934,999
General, administration, and other	19,041	1,648,952
TOTAL OPERATING EXPENSES	12,126,079	65,337,793
TOTAL OPERATING INCOME (LOSS)	(2,333,877)	2,971,965
NONOPERATING REVENUES (EXPENSES)		
Interest income	5,115	20,364
Interest and related expenses	(2,720)	(31,387)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,395	(11,023)
CHANGE IN NET POSITION	(2,331,482)	2,960,942
Net position at beginning of period	15,026,673	9,734,249
Net position at end of period	\$ 12,695,191	\$ 12,695,191

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2022</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 10,141,031	\$ 55,066,048
Payments received from other revenue sources	25	1,108,223.00
Payments to purchase electricity	(10,053,561)	(56,049,056.00)
Payments for contract services, general, and administration	(306,920)	(3,123,118.00)
Payments for staff compensation	(90,589)	(932,083.00)
Net cash provided (used) by operating activities	<u>(310,014)</u>	<u>(3,929,986)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(42,945)	2,689,016
Interest and related expenses	(2,720)	(29,715)
Net cash provided (used) by non-capital financing activities	<u>(45,665)</u>	<u>2,659,301</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	5,115	20,364
Net cash provided (used) by investing activities	<u>5,115</u>	<u>20,364</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(350,564)	(1,391,240)
Cash and cash equivalents at beginning of period	6,233,119	6,460,842
Cash and cash equivalents at end of period	<u>\$ 5,882,555</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	3,756,413	3,756,413
Restricted assets	2,126,142	2,126,142
Cash and cash equivalents at end of period	<u>\$ 5,882,555</u>	<u>\$ 5,882,555</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2022</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (2,333,877)	\$ 5,305,842
(Increase) decrease in net accounts receivable	(1,064,813.00)	(8,306,895.41)
(Increase) decrease in accrued revenue	1,391,977	(4,123,966.74)
(Increase) decrease in prepaid expenses	(27,235)	863,349.00
(Increase) decrease in other assets and deposits	-	(140,919.00)
Increase (decrease) in accounts payable	60,941	47,935.00
Increase (decrease) in accrued payroll	9,472	(6,556.00)
Increase (decrease) in due to member agencies	(61,031)	(54,990.00)
Increase (decrease) in accrued cost of electricity	1,683,633	2,945,409.00
Increase (decrease) in other accrued liabilities	9,229	(236,320.00)
Increase (decrease) in user taxes and energy surcharges	21,690	(53,778.90)
Net cash provided (used) by operating activities	<u>\$ (310,014)</u>	<u>\$ (3,760,891)</u>

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 09/30/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 67,201,536	\$ 70,686,500	\$ (3,484,964)	-5%
Other Revenues - Programs	\$ 1,108,223	\$ -	\$ 1,108,223	100%
Interest Revenues	\$ 20,689	\$ 13,500	\$ 7,189	53%
Purchased Power	\$ 60,762,293	\$ 52,246,400	\$ (8,509,855)	-16%
Purchased Power Base	\$ 60,756,255	\$ 51,921,900	\$ (8,834,355)	-17%
Purchased Power Contingency 2%	\$ -	\$ 324,500	\$ 324,500	100%
Labor & Benefits	\$ 935,995	\$ 977,100	\$ 41,105	4%
Salaries & Wages/Benefits	\$ 773,272	\$ 817,200	\$ 43,928	5%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 32,100	\$ 32,100	100%
Human Resources & Payroll	\$ 162,723	\$ 127,800	\$ (34,923)	-27%
Office Supplies & Other Expenses	\$ 170,041	\$ 152,200	\$ (17,841)	-12%
Technology Costs	\$ 47,056	\$ 30,700	\$ (16,356)	-53%
Office Supplies	\$ 8,912	\$ 1,800	\$ (7,112)	-395%
Travel	\$ 1,184	\$ 4,500	\$ 3,316	74%
CalCCA Dues	\$ 84,999	\$ 95,400	\$ 10,401	11%
CC Power	\$ 26,891	\$ 18,000	\$ (8,891)	-49%
Memberships	\$ 1,000	\$ 1,800	\$ 800	44%
Contractual Services	\$ 1,865,474	\$ 1,901,900	\$ 36,426	2%
Other Contract Services	\$ -	\$ 18,900	\$ 18,900	100%
Don Dame	\$ 8,098	\$ 7,500	\$ (598)	-8%
SMUD - Credit Support	\$ 412,309	\$ 389,200	\$ (23,109)	-6%
SMUD - Wholesale Energy Services	\$ 448,758	\$ 443,100	\$ (5,658)	-1%
SMUD - Call Center	\$ 600,546	\$ 597,000	\$ (3,546)	-1%
SMUD - Operating Services	\$ 40,223	\$ 45,300	\$ 5,077	11%
Commercial Legal Support	\$ 7,758	\$ -	\$ (7,758)	100%
Legal General Counsel	\$ 71,914	\$ 116,100	\$ 44,186	38%
Regulatory Counsel	\$ 156,445	\$ 149,400	\$ (7,045)	-5%
Joint CCA Regulatory counsel	\$ 21,004	\$ 24,300	\$ 3,296	14%
Legislative - (Lobbyist)	\$ 45,000	\$ 45,300	\$ 300	1%
Accounting Services	\$ 8,052	\$ 19,800	\$ 11,748	59%
Financial Consultant	\$ -	\$ 18,900	\$ 18,900	100%
Audit Fees	\$ 45,368	\$ 27,100	\$ (18,268)	-67%
Marketing	\$ 132,194	\$ 184,500	\$ 52,306	28%
Marketing Collateral	\$ 131,994	\$ 180,000	\$ 48,006	27%
Community Engagement Activities & Sponsorships	\$ 200	\$ 4,500	\$ 4,300	96%
Programs	\$ 1,102,631	\$ 130,500	\$ (972,131)	-745%
Program Costs	\$ 105,014	\$ 130,500	\$ 25,487	20%
Programs - AgFIT	\$ 997,618	\$ -	\$ (997,618)	100%
Rents & Leases	\$ 17,600	\$ 16,200	\$ (1,400)	-9%
Hunt Boyer Mansion	\$ 17,600	\$ 16,200	\$ (1,400)	-9%
Other A&G	\$ 351,834	\$ 272,300	\$ (79,534)	-29%
Development - New Members	\$ -	\$ 18,900	\$ 18,900	100%
Strategic Plan Implementation	\$ 4,685	\$ 31,800	\$ 27,115	85%
PG&E Data Fees	\$ 194,238	\$ 207,000	\$ 12,762	6%
Insurance	\$ 11,039	\$ 6,300	\$ (4,739)	-75%
Banking Fees	\$ 141,872	\$ 8,300	\$ (133,572)	-1609%
Miscellaneous Operating Expenses	\$ 176	\$ 600	\$ 424	71%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
TOTAL OPERATING EXPENSES	\$ 65,338,091	\$ 55,901,700	\$ (9,436,391)	-17%
Interest on RCB loan	\$ 28,891	\$ 26,400	\$ 2,491	9%
Interest Expense - Bridge Loan	\$ 2,496	\$ 60,300	\$ (57,804)	-96%
NET INCOME	\$ 2,960,970	\$ 14,711,600	\$ (11,750,630)	-80%