

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: Lisa Limcaco, outgoing Finance and Operations Director, VCEA
George Vaughn, incoming Finance and Operations Director, VCEA
Mitch Sears, Interim General Manager, VCEA

SUBJECT: Financial Update – August 31, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2019

DATE: October 10, 2019

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of August 1, 2019 to August 31, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2019.

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 August 31, 2019.

Financial Statements for the period August 1, 2019 – August 31, 2019

In the Statement of Net Position, VCEA as of August 31, 2019 has a total of \$9,103,363 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$735,457 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2019 \$358,030 and \$958,639 respectively for a grand total of \$1,316,669. VCEA began paying SMUD for the monthly operating expenditures (starting with November 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 outstanding line of credit balance with River City Bank at August 31, 2019 totaled \$1,976,610. At August 31, 2019, VCE's net position is \$9,702,177.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$7,086,863 of revenue (net of allowance for doubtful accounts) of which \$7,174,555 was billed in August and (\$2,039) represent estimated unbilled revenue. The cost of the electricity for the August revenue totaled \$5,388,621. For August, VCEA's gross margin is approximately 23.96% and operating income totaled \$1,304,578. The year-to-date change in net position was \$2,373,344.

In the Statement of Cash Flows, VCEA cash flows from operations was \$798,777 due to August cash receipts of revenues exceeding the monthly operating expenses.

Actual vs. Budget Variances for the year to date ending August 31, 2019

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

Electric Revenue - (\$1,064,945) and (7%) - actual electric revenues are down from budget due to the July and August budget included the increase in PG&E rates effective July 1, 2019, however due to a billing issue the the rate changes for July will be included in the September billings.

SMUD Operating Services - (\$69,793) and (88%) – variance is mainly due to SMUD not having billed for the IRP update and NEM roll-in analysis included in the budget.

Attachments:

- 1) Financial Statements (Unaudited) August 1, 2019 to August 31, 2019 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending August 31, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2019

PREPARED ON SEPTEMBER 26, 2019

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
AUGUST 31, 2019
(UNAUDITED)

	AUGUST 31, 2019
ASSETS	
Cash and cash equivalents	\$ 9,103,363
Accounts receivable, net of allowance	6,784,349
Accrued revenue	3,958,961
Prepaid expenses	13,247
Inventory - Renewable Energy Credits	318,039
Other current assets and deposits	2,540
Total current assets	20,180,499
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	735,457
Total restricted assets	1,835,457
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 22,115,956
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 591,810
Accrued payroll	3,298
Interest payable	110,750
Due to member agencies	358,030
Accrued cost of electricity	6,112,901
Other accrued liabilities	1,186,461
Security deposits - energy supplies	515,640
User taxes and energy surcharges	58,279
Line of credit	1,976,610
Total current liabilities	10,913,779
Noncurrent liabilities	
Loans from member agencies	1,500,000
Total noncurrent liabilities	1,500,000
TOTAL LIABILITIES	\$ 12,413,779
NET POSITION	
Restricted	
Local Programs Reserve	\$ 97,022
Unrestricted	
Total net position	9,605,155
TOTAL NET POSITION	\$ 9,702,177

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF AUGUST 1, 2019 TO AUGUST 31, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE	YEAR TO
	PERIOD ENDING	DATE
	AUGUST 31, 2019	DATE
OPERATING REVENUE		
Electricity sales, net	\$ 7,086,863	\$ 13,565,803
TOTAL OPERATING REVENUES	<u>7,086,863</u>	<u>13,565,803</u>
OPERATING EXPENSES		
Cost of electricity	5,388,621	10,414,584
Contract services	275,272	534,860
Staff compensation	86,450	171,429
General, administration, and other	31,942	64,205
TOTAL OPERATING EXPENSES	<u>5,782,285</u>	<u>11,185,078</u>
TOTAL OPERATING INCOME (LOSS)	1,304,578	2,380,725
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,357	9,581
Interest and related expenses	(8,334)	(16,962)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>23</u>	<u>(7,381)</u>
CHANGE IN NET POSITION	1,304,601	2,373,344
Net position at beginning of period	8,397,576	7,328,833
Net position at end of period	<u>\$ 9,702,177</u>	<u>\$ 9,702,177</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING AUGUST 31, 2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,015,431	\$ 12,114,310
Receipts for security deposits with energy suppliers	515,640	515,640
Payments to purchase electricity	(4,924,876)	(9,623,210)
Payments for contract services, general, and administration	(720,574)	(557,098)
Payments for staff compensation	(86,844)	(171,920)
Net cash provided (used) by operating activities	<u>798,777</u>	<u>2,277,722</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest and related expenses	(9,282)	(18,524)
Net cash provided (used) by non-capital financing activities	<u>(9,282)</u>	<u>(18,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	8,357	9,581
Net cash provided (used) by investing activities	<u>8,357</u>	<u>9,581</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	797,852	2,268,779
Cash and cash equivalents at beginning of period	10,140,968	8,670,041
Cash and cash equivalents at end of period	<u>\$ 10,938,820</u>	<u>\$ 10,938,820</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 9,103,363	\$ 9,103,363
Restricted assets	1,835,457	1,835,457
Cash and cash equivalents at end of period	<u>\$ 10,938,820</u>	<u>\$ 10,938,820</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2019
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING AUGUST 31, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,304,578	\$ 2,380,725
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(1,048,178)	(1,789,076)
(Increase) decrease in accrued revenue	(2,045)	336,752
(Increase) decrease in prepaid expenses	9,496	(13,247)
(Increase) decrease in inventory - renewable energy credits	(211,959)	(110,871)
Increase (decrease) in accounts payable	(54,204)	5,690
Increase (decrease) in accrued payroll	(394)	(491)
Increase (decrease) in due to member agencies	(26,190)	(52,279)
Increase (decrease) in accrued cost of electricity	675,704	902,245
Increase (decrease) in other accrued liabilities	(342,462)	101,803
Increase (decrease) security deposits with energy suppliers	515,640	515,640
Increase (decrease) in user taxes and energy surcharges	(21,209)	831
Net cash provided (used) by operating activities	<u>\$ 798,777</u>	<u>\$ 2,277,722</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 8-31-2019
FOR THE YEAR TO DATE ENDING June 30, 2020

Description	8/31/2019	8/31/2019	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 13,565,802	\$ 14,630,747	\$ (1,064,945)	-7%
Interest Revenues	9,581	13,886	(4,305)	-31%
Purchased Power	10,414,583	10,192,805	221,778	2%
Labor & Benefits	171,429	196,486	(25,057)	-13%
Salaries & Wages/Benefits	58,675	101,469	(42,794)	-42%
Contract Labor	107,928	92,917	15,011	16%
Human Resources & Payroll	4,826	2,100	2,726	130%
Office Supplies & Other Expenses	20,536	21,315	(779)	-4%
Technology Costs	1,969	1,544	425	28%
Office Supplies	167	204	(37)	-18%
Travel	240	800	(560)	-70%
CalCCA Dues	18,160	18,167	(7)	0%
Memberships	-	600	(600)	-100%
Contractual Services	534,860	553,399	(18,539)	-3%
Don Dame	9,724	3,000	6,724	224%
SMUD - Credit Support	133,708	137,963	(4,255)	-3%
SMUD - Wholesale Energy Services	94,012	94,024	(12)	0%
SMUD - Call Center	110,969	111,024	(55)	0%
SMUD - Operating Services	9,207	79,000	(69,793)	-88%
Legal	30,985	28,000	2,985	11%
Regulatory Counsel	47,593	30,880	16,713	54%
Joint Regulatory	5,170	5,000	170	3%
Legislative	5,000	10,000	(5,000)	-50%
Accounting Services	-	4,000	(4,000)	-100%
Audit Fees	30,250	13,500	16,750	124%
Marketing Collateral	58,242	37,008	21,234	57%
Rents & Leases	2,883	2,884	(1)	0%
Hunt Boyer Mansion	2,883	2,884	(1)	0%
Other A&G	39,629	51,285	(11,656)	-23%
PG&E Data Fees	38,695	38,858	(163)	0%
Community Engagement Activities & Sponsorships	-	1,000	(1,000)	-100%
Insurance	934	1,226	(293)	-24%
New Member Expenses	-	10,000	(10,000)	-100%
Banking Fees	-	200	(200)	-100%
Miscellaneous Operating Expenses	1,155	1,022	133	13%
Contingency	-	41,320	(41,320)	-100%
TOTAL OPERATING EXPENSES	\$ 11,185,076	\$ 11,060,515	\$ 124,560	1%
Interest Expense - Munis	-	9,201	(9,201)	-100%
Interest on RCB loan	13,872	14,527	(655)	-5%
Interest Expense - SMUD	3,090	3,301	(210)	-6%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 2,373,344	\$ 3,557,089	\$ (1,183,745)	-33%