

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Valley Clean Energy Alliance Board of Directors

FROM: George Vaughn, Finance and Operations Director, VCEA
Mitch Sears, Interim General Manager, VCEA

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

DATE: February 13, 2020

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of December 31, 2019 has a total of \$13,168,080 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$902,231 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of December 31, 2019 \$273,364 and \$578,055 respectively for a grand total of \$851,419. VCEA began paying SMUD for the monthly operating expenditures (starting with December 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 \$1,548,345 as of December 31, 2019, for a total of \$1,943,667. At December 31, 2019, VCE's net position is \$13,770,181.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,629,570 of revenue (net of allowance for doubtful accounts) of which \$3,608,877 was billed in December and (\$858,415) represent estimated unbilled revenue. The cost of the electricity for the December revenue totaled \$2,611,330. For December, VCEA's gross margin is approximately 0.69% and operating income totaled negative (\$318,984). The year-to-date change in net position was \$6,441,348.

In the Statement of Cash Flows, VCEA cash flows from operations was negative (\$1,417,172), due to December cash receipts of revenues exceeding the monthly operating expenses and the SMUD November power invoice being paid after November 30, which made December cash flow less favorable.

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

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

Salaries & Wages/Benefits - (\$129,837) and (43%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Operating Services - (\$165,026) and (88%) – variance is mainly due to SMUD not having billed for the IRP update and NEM roll-in analysis included in the budget.

PG&E Acquisition Consulting - (\$123,255) and (100%) - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - (\$99,524) and (90%) - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget

Contingency - (\$117,929) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$123,255 of PG&E acquisition-related expenses.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF DECEMBER 1 TO DECEMBER 31, 2019

PREPARED ON FEBRUARY 4, 2020

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

ASSETS

Cash and cash equivalents	\$ 13,168,080
Accounts receivable, net of allowance	3,624,492
Accrued revenue	1,959,825
Prepaid expenses	2,500
Other current assets and deposits	2,540
Total current assets	<u>18,757,437</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	902,231
Total restricted assets	<u>2,002,231</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 20,859,668</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 658,247
Accrued payroll	3,496
Interest payable	8,253
Due to member agencies	273,364
Accrued cost of electricity	2,781,610
Other accrued liabilities	851,839
Security deposits - energy supplies	515,640
User taxes and energy surcharges	53,371
Current Portion of LT Debt	395,322
Total current liabilities	<u>5,541,142</u>
Noncurrent liabilities	
Term Loan- RCB	1,548,345
Total noncurrent liabilities	<u>1,548,345</u>
TOTAL LIABILITIES	<u><u>\$ 7,089,487</u></u>

NET POSITION

Restricted	
Local Programs Reserve	\$ 137,702
Restricted	\$ 2,002,231
Unrestricted	11,630,248
TOTAL NET POSITION	<u><u>\$ 13,770,181</u></u>

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

	FOR THE	YEAR TO
	PERIOD ENDING	DATE
	DECEMBER 31, 2019	DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,629,570	\$ 31,095,633
TOTAL OPERATING REVENUES	<u>2,629,570</u>	<u>31,095,633</u>
OPERATING EXPENSES		
Cost of electricity	2,611,330	22,369,285
Contract services	200,587	1,544,833
Staff compensation	94,599	512,748
General, administration, and other	42,038	207,924
TOTAL OPERATING EXPENSES	<u>2,948,554</u>	<u>24,634,790</u>
TOTAL OPERATING INCOME (LOSS)	(318,984)	6,460,843
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,210	41,937
Interest and related expenses	(7,045)	(61,432)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,165</u>	<u>(19,495)</u>
CHANGE IN NET POSITION	(316,819)	6,441,348
Net position at beginning of period	14,087,000	7,328,833
Net position at end of period	<u>\$ 13,770,181</u>	<u>\$ 13,770,181</u>

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

	<u>FOR THE PERIOD ENDING DECEMBER 31, 2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 4,284,058	\$ 34,798,225
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(5,305,555)	(24,591,163)
Payments for contract services, general, and administration	(300,978)	(2,052,894)
Payments for staff compensation	(94,697)	(513,041)
Net cash provided (used) by operating activities	<u>(1,417,172)</u>	<u>8,156,767</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Interest and related expenses	(10,649)	(165,491)
Net cash provided (used) by non-capital financing activities	<u>(43,593)</u>	<u>(1,698,434)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,210	41,937
Net cash provided (used) by investing activities	<u>9,210</u>	<u>41,937</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,451,555)	6,500,270
Cash and cash equivalents at beginning of period	16,621,866	8,670,042
Cash and cash equivalents at end of period	<u>\$ 15,170,311</u>	<u>\$ 15,170,312</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 13,168,080	\$ 13,168,080
Restricted assets	2,002,231	2,002,231
Cash and cash equivalents at end of period	<u>\$ 15,170,311</u>	<u>\$ 15,170,311</u>

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

	<u>FOR THE PERIOD ENDING DECEMBER 31, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (318,984)	\$ 6,460,843
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	781,027.00	1,370,781.00
(Increase) decrease in accrued revenue	859,732	2,335,888.00
(Increase) decrease in prepaid expenses	9,497	(2,500.00)
(Increase) decrease in inventory - renewable energy credits	76,820	207,168.00
Increase (decrease) in accounts payable	56,790	72,127.00
Increase (decrease) in accrued payroll	(98)	(293.00)
Increase (decrease) in due to member agencies	(19,492)	(136,945.00)
Increase (decrease) in accrued cost of electricity	(2,771,045)	(2,429,046.00)
Increase (decrease) in other accrued liabilities	(105,148)	(232,819.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	13,729	(4,077.00)
Net cash provided (used) by operating activities	\$ (1,417,172)	\$ 8,156,767

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 12-31-19

Description	12/31/2019	12/31/2019	YTD Variance	% over/-under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 31,095,631	\$ 32,234,286	\$ (1,138,655)	-4%
Interest Revenues	41,938	54,829	(12,891)	-24%
Purchased Power	22,369,285	22,501,286	(132,002)	-1%
Labor & Benefits	512,749	589,459	(76,710)	-13%
Salaries & Wages/Benefits	174,571	304,408	(129,837)	-43%
Contract Labor	324,316	278,751	45,565	16%
Human Resources & Payroll	13,863	6,300	7,563	120%
Office Supplies & Other Expenses	65,041	63,945	1,096	2%
Technology Costs	5,092	4,632	460	10%
Office Supplies	1,251	613	638	104%
Travel	4,218	2,400	1,818	76%
CalCCA Dues	54,480	54,500	(20)	0%
Memberships	-	1,800	(1,800)	-100%
Contractual Services	1,544,806	1,539,467	5,339	0%
Don Dame	11,037	9,000	2,037	23%
SMUD - Credit Support	277,273	324,612	(47,339)	-15%
SMUD - Wholesale Energy Services	282,072	282,072	-	0%
SMUD - Call Center	330,099	333,482	(3,384)	-1%
SMUD - Operating Services	21,974	187,000	(165,026)	-88%
Legal	67,101	84,000	(16,899)	-20%
Regulatory Counsel	86,144	92,640	(6,496)	-7%
Joint Regulatory	33,612	15,000	18,612	124%
Legislative	30,000	30,000	-	0%
Accounting Services	8,554	12,000	(3,446)	-29%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	123,255	-	123,255	100%
Marketing Collateral	210,685	111,161	99,524	90%
Rents & Leases	8,649	8,652	(3)	0%
Hunt Boyer Mansion	8,649	8,652	(3)	0%
Other A&G	118,632	153,998	(35,366)	-23%
PG&E Data Fees	115,905	116,719	(814)	-1%
Community Engagement Activities & Sponsorships	126	3,000	(2,874)	-96%
Insurance	2,601	3,679	(1,078)	-29%
New Member Expenses	-	30,000	(30,000)	-100%
Banking Fees	-	600	(600)	-100%
Miscellaneous Operating Expenses	15,629	3,066	12,563	410%
Contingency	-	117,929	(117,929)	-100%
TOTAL OPERATING EXPENSES	\$ 24,634,790	\$ 24,977,803	\$ (343,013)	-1%
Interest Expense - Munis	14,965	27,716	(12,751)	-46%
Interest on RCB loan	38,463	43,582	(5,119)	-12%
Interest Expense - SMUD	8,004	8,637	(633)	-7%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 6,441,348	\$ 7,231,378	\$ (790,030)	-11%