

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 – January 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 2020

DATE: March 12, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of January 1, 2020 to January 31, 2020 (with comparative year to date information) and Actual vs. Budget year to date ending January 31, 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 January 31, 2020.

Financial Statements for the period January 1, 2020 – January 31, 2020

In the Statement of Net Position, VCEA as of January 31, 2020 has a total of \$13,676,865 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,063,778 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of January 31, 2020 \$253,805 and \$514,253 respectively for a grand total of \$768,058. 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 \$1,515,401 as of January 31, 2020, for a total of \$1,910,723. At January 31, 2020, VCE's net position is \$12,802,652.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,415,282 of revenue (net of allowance for doubtful accounts) of which \$3,656,469 was billed in January and (\$191,227) represent estimated unbilled revenue. The cost of the electricity for the January revenue totaled \$3,936,035. For January, VCEA's gross margin is approximately negative -13.2% and operating income totaled negative (\$970,172). The year-to-date change in net position was \$5,473,819.

In the Statement of Cash Flows, VCEA cash flows from operations was \$701,493 due to January cash receipts of revenues exceeding the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending January 31, 2020

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

Salaries & Wages/Benefits - (\$151,712) and (43%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

Contract Labor - \$60,053 and 18% – variance is due to SMUD providing more staff augmentation than planned due to VCE not having all internal positions filled.

SMUD Credit Support - (\$53,431) and (14%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.

SMUD Operating Services - (\$89,190) and (42%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

PG&E Acquisition Consulting - \$148,244 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - \$89,058 and 68% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end

Contingency - (\$136,846) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$148,244 of PG&E acquisition-related expenses.

Attachments:

- 1) Financial Statements (Unaudited) January 1, 2020 to January 31, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending January 31, 2020



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF JANUARY 1 TO JANUARY 31, 2020

PREPARED ON MARCH 4, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
JANUARY 31, 2020
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$ 13,676,865
Accounts receivable, net of allowance	3,581,553
Accrued revenue	1,767,375
Prepaid expenses	20,452
Inventory - Renewable Energy Credits	-
Other current assets and deposits	2,540
Total current assets	<u>19,048,785</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	1,063,778
Total restricted assets	<u>2,163,778</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 21,312,563</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 723,459
Accrued payroll	3,989
Interest payable	7,393
Due to member agencies	253,805
Accrued cost of electricity	4,226,441
Other accrued liabilities	801,622
Security deposits - energy supplies	515,640
User taxes and energy surcharges	66,839
Current Portion of LT Debt	395,322
Total current liabilities	<u>6,994,510</u>
Noncurrent liabilities	
Term Loan- RCB	1,515,401
Total noncurrent liabilities	<u>1,515,401</u>
TOTAL LIABILITIES	<u><u>\$ 8,509,911</u></u>

NET POSITION

Restricted	
Local Programs Reserve	\$ 137,702
Restricted	\$ 2,163,778
Unrestricted	10,501,172
TOTAL NET POSITION	<u><u>\$ 12,802,652</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF JANUARY 1, 2020 TO JANUARY 31, 2020
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING JANUARY 31, 2020	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,415,282	\$ 34,510,915
TOTAL OPERATING REVENUES	<u>3,415,282</u>	<u>34,510,915</u>
OPERATING EXPENSES		
Cost of electricity	3,936,035	26,305,320
Contract services	313,194	1,858,027
Staff compensation	93,278	606,026
General, administration, and other	42,947	250,871
TOTAL OPERATING EXPENSES	<u>4,385,454</u>	<u>29,020,244</u>
TOTAL OPERATING INCOME (LOSS)	(970,172)	5,490,671
NONOPERATING REVENUES (EXPENSES)		
Interest income	9,480	51,417
Interest and related expenses	(6,837)	(68,269)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>2,643</u>	<u>(16,852)</u>
CHANGE IN NET POSITION	(967,529)	5,473,819
Net position at beginning of period	13,770,181	7,328,833
Net position at end of period	<u>\$ 12,802,652</u>	<u>\$ 12,802,652</u>

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

	FOR THE PERIOD ENDING	
	JANUARY 31, 2020	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,664,139	\$ 38,462,364
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(2,491,204)	(27,082,367)
Payments for contract services, general, and administration	(378,657)	(2,431,551)
Payments for staff compensation	(92,785)	(605,826)
Net cash provided (used) by operating activities	701,493	8,858,260
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,944)	(65,887)
Interest and related expenses	(7,697)	(173,188)
Net cash provided (used) by non-capital financing activities	(40,641)	(1,739,075)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	9,480	51,417
Net cash provided (used) by investing activities	9,480	51,417
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	670,332	7,170,602
Cash and cash equivalents at end of period	\$ 15,170,311	\$ 8,670,042
	\$ 15,840,643	\$ 15,840,644
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 13,676,865	\$ 13,676,865
Restricted assets	2,163,778	2,163,778
Cash and cash equivalents at end of period	\$ 15,840,643	\$ 15,840,643

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

FOR THE
PERIOD ENDING
JANUARY 31, 2020 YEAR TO DATE

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

Operating Income (Loss)	\$	(970,172)	\$	5,490,671
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
(Increase) decrease in net accounts receivable		42,939.00		1,413,720.00
(Increase) decrease in accrued revenue		192,450		2,528,338.00
(Increase) decrease in prepaid expenses		(17,952)		(20,452.00)
(Increase) decrease in inventory - renewable energy credits		-		207,168.00
Increase (decrease) in accounts payable		65,212		137,339.00
Increase (decrease) in accrued payroll		493		200.00
Increase (decrease) in due to member agencies		(19,559)		(156,504.00)
Increase (decrease) in accrued cost of electricity		1,444,831		(984,215.00)
Increase (decrease) in other accrued liabilities		(50,217)		(283,036.00)
Increase (decrease) security deposits with energy suppliers		-		515,640.00
Increase (decrease) in user taxes and energy surcharges		13,468		9,391.00
Net cash provided (used) by operating activities	\$	701,493	\$	8,858,260

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 01-31-20

Description	1/31/2020	1/31/2020	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 34,510,913	\$ 35,474,877	\$ (963,964)	-3%
Interest Revenues	51,418	68,143	(16,725)	-25%
Purchased Power	26,305,320	26,191,203	114,117	0%
Labor & Benefits	606,027	688,403	(82,376)	-12%
Salaries & Wages/Benefits	204,131	355,843	(151,712)	-43%
Contract Labor	385,263	325,210	60,053	18%
Human Resources & Payroll	16,633	7,350	9,283	126%
Office Supplies & Other Expenses	76,473	74,605	1,868	3%
Technology Costs	7,367	5,404	1,963	36%
Office Supplies	1,328	717	610	85%
Travel	4,218	2,800	1,418	51%
CalCCA Dues	63,560	63,583	(23)	0%
Memberships	-	2,100	(2,100)	-100%
Contractual Services	1,858,000	1,775,371	82,630	5%
Don Dame	11,592	10,500	1,092	10%
SMUD - Credit Support	315,988	369,419	(53,431)	-14%
SMUD - Wholesale Energy Services	329,084	329,084	-	0%
SMUD - Call Center	385,284	390,966	(5,682)	-1%
SMUD - Operating Services	124,810	214,000	(89,190)	-42%
Legal	75,945	98,000	(22,055)	-23%
Regulatory Counsel	105,234	108,080	(2,846)	-3%
Joint Regulatory	34,475	17,500	16,975	97%
Legislative	35,000	35,000	-	0%
Accounting Services	9,966	14,000	(4,034)	-29%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	148,244	-	148,244	100%
Marketing Collateral	219,380	130,322	89,058	68%
Rents & Leases	10,143	10,158	(15)	0%
Hunt Boyer Mansion	10,143	10,158	(15)	0%
Other A&G	137,968	184,805	(46,837)	-25%
PG&E Data Fees	134,775	141,313	(6,538)	-5%
Community Engagement Activities & Sponsorships	176	3,500	(3,324)	-95%
Insurance	3,018	4,292	(1,275)	-30%
New Member Expenses	-	35,000	(35,000)	-100%
Banking Fees	-	700	(700)	-100%
Miscellaneous Operating Expenses	26,312	3,577	22,735	636%
Contingency	-	136,846	(136,846)	-100%
TOTAL OPERATING EXPENSES	\$ 29,020,243	\$ 29,064,967	\$ (44,724)	0%
Interest Expense - Munis	14,965	32,368	(17,404)	-54%
Interest on RCB loan	44,337	50,846	(6,509)	-13%
Interest Expense - SMUD	8,967	9,707	(739)	-8%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 5,473,819	\$ 6,385,132	\$ (911,313)	-14%