

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 – November 30, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2019

DATE: January 9, 2020

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of November 1, 2019 to November 30, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 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 November 30, 2019.

Financial Statements for the period November 1, 2019 – November 30, 2019

In the Statement of Net Position, VCEA as of November 30, 2019 has a total of \$14,621,343 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$900,523 restricted assets for the Power Purchases Reserve account. The cash balance is inflated because a SMUD November power invoice of \$2,756,494 was paid in early December rather than November. Although it was properly accrued at November 30, the cash balance in the November financial statement is higher than it otherwise would have been. VCEA has incurred obligations from Member agencies and SMUD and owes as of November 30, 2019 \$292,856 and \$641,750 respectively for a grand total of \$934,606. 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 of \$1,976,610 was converted to a term loan and has been reflected as such on the balance sheet, including a current portion of \$395,322 and a long-term portion of \$1,581,289 as of November 30, 2019. At November 30, 2019, VCE's net position is \$14,087,000.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,671,495 of revenue (net of allowance for doubtful accounts) of which \$3,723,479 was billed in November and (\$11,568) represent estimated unbilled revenue. The cost of the electricity for the November revenue totaled \$2,582,621. For November, VCEA's gross margin is approximately 29.66% and operating income totaled \$696,309. The year-to-date change in net position was \$6,758,167.

In the Statement of Cash Flows, VCEA cash flows from operations was \$3,995,029, due to November cash receipts of revenues exceeding the monthly operating expenses and the SMUD power invoice being paid after November 30, as outlined above.

Actual vs. Budget Variances for the year to date ending November 30, 2019

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

Salaries & Wages/Benefits - (\$107,810) and (42%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Operating Services - (\$135,872) and (85%) – 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 - (\$132,182) and (100%) - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - (\$75,203) and (81%) - variance is due to major marketing campaigns in the first five months of the year being higher than originally anticipated in the budget

Contingency - (\$99,499) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is more than offset by \$132,182 of PG&E acquisition-related expenses.

Attachments:

- 1) Financial Statements (Unaudited) November 1, 2019 to November 30, 2019 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending November 30, 2019



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2019

PREPARED ON JANUARY 3, 2020

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
NOVEMBER 30, 2019
(UNAUDITED)

ASSETS

Cash and cash equivalents	\$	14,621,343
Accounts receivable, net of allowance		4,405,519
Accrued revenue		2,819,557
Prepaid expenses		11,997
Inventory - Renewable Energy Credits		76,820
Other current assets and deposits		2,540
Total current assets		21,937,776
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		900,523
Total restricted assets		2,000,523
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	24,038,299

LIABILITIES

Current liabilities:		
Accounts payable	\$	601,457
Accrued payroll		3,594
Interest payable		11,857
Due to member agencies		292,856
Accrued cost of electricity		5,552,655
Other accrued liabilities		956,987
Security deposits - energy supplies		515,640
User taxes and energy surcharges		39,642
Current Portion of LT Debt		395,322
Line of credit		-
Total current liabilities		8,370,010
Noncurrent liabilities		
Term Loan- RCB		1,581,289
Loans from member agencies		-
Total noncurrent liabilities		1,581,289
TOTAL LIABILITIES	\$	9,951,299

NET POSITION

Restricted		
Local Programs Reserve	\$	140,870
Unrestricted		13,946,130
TOTAL NET POSITION	\$	14,087,000

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF NOVEMBER 1, 2019 TO NOVEMBER 30, 2019
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING NOVEMBER 30, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,671,495	\$ 28,466,063
TOTAL OPERATING REVENUES	<u>3,671,495</u>	<u>28,466,063</u>
OPERATING EXPENSES		
Cost of electricity	2,582,621	19,757,955
Contract services	277,327	1,344,246
Staff compensation	80,794	418,149
General, administration, and other	34,444	165,886
TOTAL OPERATING EXPENSES	<u>2,975,186</u>	<u>21,686,236</u>
TOTAL OPERATING INCOME (LOSS)	696,309	6,779,827
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,272	32,727
Interest and related expenses	(9,996)	(54,387)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,724)</u>	<u>(21,660)</u>
CHANGE IN NET POSITION	694,585	6,758,167
Net position at beginning of period	13,392,415	7,328,833
Net position at end of period	<u>\$ 14,087,000</u>	<u>\$ 14,087,000</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 5,021,984	\$ 30,514,167
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(221,915)	(19,285,608)
Payments for contract services, general, and administration	(724,147)	(1,751,916)
Payments for staff compensation	(80,893)	(418,344)
Net cash provided (used) by operating activities	3,995,029	9,573,939
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Loans from member agencies		(1,500,000)
Interest and related expenses	(5,891)	(154,842)
Net cash provided (used) by non-capital financing activities	(5,890)	(1,654,842)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	8,272	32,727
Net cash provided (used) by investing activities	8,272	32,727
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,997,411	7,951,824
Cash and cash equivalents at beginning of period	12,624,455	8,670,042
Cash and cash equivalents at end of period	\$ 16,621,866	\$ 16,621,866
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 14,621,343	\$ 14,621,343
Restricted assets	2,000,523	2,000,523
Cash and cash equivalents at end of period	\$ 16,621,866	\$ 16,621,866

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2019
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 696,309	\$ 6,779,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	1,326,474.00	589,754.00
(Increase) decrease in accrued revenue	10,522	1,476,156.00
(Increase) decrease in prepaid expenses	9,496	(11,997.00)
(Increase) decrease in inventory - renewable energy credits	76,866	130,348.00
Increase (decrease) in accounts payable	(227,923)	15,337.00
Increase (decrease) in accrued payroll	(99)	(195.00)
Increase (decrease) in due to member agencies	(70,644)	(117,453.00)
Increase (decrease) in accrued cost of electricity	2,283,840	341,999.00
Increase (decrease) in other accrued liabilities	(123,305)	(127,671.00)
Increase (decrease) security deposits with energy suppliers	-	515,640.00
Increase (decrease) in user taxes and energy surcharges	13,493	(17,806.00)
Net cash provided (used) by operating activities	\$ 3,995,029	\$ 9,573,939

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2020
FOR THE YEAR TO DATE ENDING 11-30-19

Description	11/30/2019	11/30/2019	YTD Variance	% over/under
	FY2020 Actuals	FY2020 Budget		
Electric Revenue	\$ 28,466,061	\$ 28,793,932	\$ (327,871)	-1%
Interest Revenues	32,727	42,266	(9,539)	-23%
Purchased Power	19,757,955	19,901,128	(143,174)	-1%
Labor & Benefits	418,151	491,216	(73,065)	-15%
Salaries & Wages/Benefits	145,864	253,673	(107,810)	-42%
Contract Labor	260,641	232,293	28,348	12%
Human Resources & Payroll	11,647	5,250	6,397	122%
Office Supplies & Other Expenses	54,411	53,288	1,123	2%
Technology Costs	4,294	3,860	434	11%
Office Supplies	1,049	511	538	105%
Travel	3,668	2,000	1,668	83%
CalCCA Dues	45,400	45,417	(17)	0%
Memberships	-	1,500	(1,500)	-100%
Contractual Services	1,344,221	1,307,415	36,806	3%
Don Dame	10,687	7,500	3,187	42%
SMUD - Credit Support	244,065	281,233	(37,168)	-13%
SMUD - Wholesale Energy Services	235,060	235,060	-	0%
SMUD - Call Center	275,876	277,816	(1,941)	-1%
SMUD - Operating Services	24,128	160,000	(135,872)	-85%
Legal	59,693	70,000	(10,307)	-15%
Regulatory Counsel	69,859	77,200	(7,341)	-10%
Joint Regulatory	29,735	12,500	17,235	138%
Legislative	25,000	25,000	-	0%
Accounting Services	7,128	10,000	(2,872)	-29%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	132,182	-	132,182	100%
Marketing Collateral	167,808	92,605	75,203	81%
Rents & Leases	7,208	7,210	(2)	0%
Hunt Boyer Mansion	7,208	7,210	(2)	0%
Other A&G	99,393	128,302	(28,909)	-23%
PG&E Data Fees	97,083	97,236	(153)	0%
Community Engagement Activities & Sponsorships	126	2,500	(2,374)	-95%
Insurance	2,184	3,066	(882)	-29%
New Member Expenses	-	25,000	(25,000)	-100%
Banking Fees	-	500	(500)	-100%
Miscellaneous Operating Expenses	4,897	2,555	2,342	92%
Contingency	-	99,499	(99,499)	-100%
TOTAL OPERATING EXPENSES	\$ 21,686,235	\$ 21,990,613	\$ (304,378)	-1%
Interest Expense - Munis	14,965	23,072	(8,108)	-35%
Interest on RCB loan	32,488	36,318	(3,830)	-11%
Interest Expense - SMUD	6,934	7,461	(527)	-7%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 6,758,167	\$ 6,778,733	\$ (20,566)	0%