

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 7

TO: Board of Directors

FROM: Mitch Sears, Interim General Manager
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – September 30, 2021 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2021

DATE: November 10, 2021

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of September 1, 2021 to September 30, 2021 (with comparative year to date information) and Actual vs. Budget year to date ending September 30, 2021.

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, 2021.

Financial Statements for the period September 1, 2021 – September 30, 2021

In the Statement of Net Position, VCEA as of September 30, 2021, has a total of \$4,900,264 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,986,833 restricted assets related to supplier deposits, and \$2,207,386 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of September 30, 2021, \$55,055. VCEA member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$1,251,856. On September 30, 2021, VCE's net position is \$11,302,730.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$4,834,630 of revenue (net of allowance for doubtful accounts), of which \$5,923,082 was billed in September and \$1,747,846 represent estimated unbilled revenue. The cost of the electricity for the September revenue totaled \$5,328,588. For September, VCEA's gross margin was approximately (18.77%), and operating loss totaled (\$907,668). The year-to-date change in net position was (\$1,178,660).

In the Statement of Cash Flows, VCEA cash flows from operations were (\$628,031) due to September cash receipts of revenues being lower than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending September 30, 2021

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

- Electric Revenue - \$3,563,340 and 23% – variance is due to load being more favorable year-to-date than planned; the continued COVID and recessionary impacts and the weather has been warmer than forecast.
- Purchased Power - \$2,023,081 and 12% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts and the weather has been warmer than forecast.
- SMUD Credit Support - \$72,370 and 51% – variance is due to higher load and forward market pricing than budgeted.

Attachments:

- 1) Financial Statements (Unaudited) September 1, 2021 to September 30, 2021 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending September 30, 2021



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2021

PREPARED ON OCTOBER 31, 2021

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
September 30, 2021
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	4,900,264
Accounts receivable, net of allowance		9,613,952
Accrued revenue		1,747,846
Prepaid expenses		20,629
Other current assets and deposits		1,986,883
Total current assets		18,269,574

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		2,207,386
Total restricted assets		3,307,386

Noncurrent assets:

Other noncurrent assets and deposits		
Total noncurrent assets		-
TOTAL ASSETS	\$	21,576,960

LIABILITIES

Current liabilities:

Accounts payable	\$	618,299
Accrued payroll		58,888
Interest payable		2,965
Due to member agencies		55,055
Accrued cost of electricity		5,622,003
Other accrued liabilities		545,482
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		139,682
Limited Term Loan		1,251,856
Total current liabilities		10,274,230

Noncurrent liabilities

Term Loan- RCB		
Total noncurrent liabilities		-
TOTAL LIABILITIES	\$	10,274,230

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		3,307,386
Unrestricted		7,770,844
TOTAL NET POSITION	\$	11,302,730

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF SEPTEMBER 1, 2021 TO SEPTEMBER 30, 2021
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING SEPTEMBER 30, 2021	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 4,834,630	\$ 18,829,890
TOTAL OPERATING REVENUES	<u>4,834,630</u>	<u>18,829,890</u>
OPERATING EXPENSES		
Cost of electricity	5,328,588	18,831,601
Contract services	216,291	724,773
Staff compensation	86,087	267,934
General, administration, and other	108,984	177,259
TOTAL OPERATING EXPENSES	<u>5,739,950</u>	<u>20,001,567</u>
TOTAL OPERATING INCOME (LOSS)	(905,320)	(1,171,677)
NONOPERATING REVENUES (EXPENSES)		
Other Revenue		
Interest income	1,376	4,742
Interest and related expenses	(3,724)	(11,725)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,348)</u>	<u>(6,983)</u>
CHANGE IN NET POSITION	(907,668)	(1,178,660)
Net position at beginning of period	12,210,398	12,481,390
Net position at end of period	<u>\$ 11,302,730</u>	<u>\$ 11,302,730</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING SEPTEMBER 30, 2021	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,666,395	\$ 18,276,957
Receipts for security deposits with energy suppliers	-	-
Payments to purchase electricity	(6,374,497)	(19,788,409)
Payments for contract services, general, and administration	(842,402)	(1,277,703)
Payments for staff compensation	(77,527)	(252,751)
Other cash payments	-	-
Net cash provided (used) by operating activities	(628,031)	(3,041,906)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,944)	(98,831)
Interest and related expenses	(3,950)	(12,019)
Net cash provided (used) by non-capital financing activities	(36,894)	(110,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,376	4,742
Net cash provided (used) by investing activities	1,376	4,742
NET CHANGE IN CASH AND CASH EQUIVALENTS	(663,549)	(3,148,014)
Cash and cash equivalents at beginning of period	8,871,199	11,355,664
Cash and cash equivalents at end of period	\$ 8,207,650	\$ 8,207,650
Cash and cash equivalents included in:		
Cash and cash equivalents	4,900,264	4,900,264
Restricted assets	3,307,386	3,307,386
Cash and cash equivalents at end of period	\$ 8,207,650	\$ 8,207,650

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2021</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (905,320)	\$ (1,171,677)
(Increase) decrease in net accounts receivable	367,235.00	(1,809,741.00)
(Increase) decrease in accrued revenue	1,446,666	1,187,445.00
(Increase) decrease in prepaid expenses	10,324	(5,486.00)
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	-	-
Increase (decrease) in accounts payable	(112,242)	134,338.00
Increase (decrease) in accrued payroll	8,560	15,183.00
Increase (decrease) in due to member agencies	20,963	(68,351.00)
Increase (decrease) in accrued cost of electricity	(1,045,909)	(956,808.00)
Increase (decrease) in other accrued liabilities	(436,172)	(436,172.00)
Increase (decrease) security deposits with energy suppliers	-	-
Increase (decrease) in user taxes and energy surcharges	17,864	69,363.00
Net cash provided (used) by operating activities	<u><u>\$ (628,031)</u></u>	<u><u>\$ (3,041,906)</u></u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2022
FOR THE YEAR TO DATE ENDING 09/30/2021

GL#	Description	9/30/2021	9/30/2021	YTD Variance	% under
		YTD FY2022 Actuals	YTD FY2022 Budget		
301.00	Electric Revenue	18,829,890	15,266,550	3,563,340	23%
311.00	Interest Revenues	4,742	14,100	(9,358)	-66%
415.00	Purchased Power	18,831,601	16,808,520	2,023,081	12%
	Labor & Benefits	267,935	292,701	(24,766)	-8%
451.10	Salaries & Wages/Benefits	225,590	244,370	(18,780)	-8%
451.20	Contract Labor	-	14,564	(14,564)	-100%
453.41	Human Resources & Payroll	42,345	33,768	8,577	25%
	Office Supplies & Other Expenses	62,896	47,112	15,785	34%
452.10	Technology Costs	5,333	8,508	(3,175)	-37%
452.15	Office Supplies	394	576	(182)	-32%
452.25	Travel	-	1,524	(1,524)	-100%
452.30	CalCCA Dues	28,730	31,054	(2,324)	-7%
	CC Power	28,440	5,000	23,440	469%
452.35	Memberships	-	450	(450)	-100%
	Contractual Services	690,078	645,939	44,139	7%
453.10	Other Contract Services	-	6,000	(6,000)	-100%
453.15	Don Dame	3,395	2,500	895	36%
453.20	SMUD - Credit Support	215,659	143,289	72,370	51%
453.21	SMUD - Wholesale Energy Services	146,961	146,493	468	0%
453.22	SMUD - Call Center	199,463	196,552	2,910	1%
453.23	SMUD - Operating Services	22,944	15,000	7,944	53%
453.24	Commercial Legal Support	-	-	-	100%
453.25	Legal General Counsel	22,827	37,823	(14,996)	-40%
453.36	Regulatory Counsel	41,420	48,665	(7,245)	-15%
453.37	Joint CCA Regulatory counsel	204	7,880	(7,676)	-97%
453.38	Legislative - (Lobbyist)	20,000	15,000	5,000	33%
453.40	Accounting Services	1,206	6,304	(5,098)	-81%
453.41	Financial Consultant	-	6,250	(6,250)	-100%
453.42	Audit Fees	16,000	14,183	1,817	13%
453.60	PG&E Acquisition Consulting	-	-	-	100%
	Marketing	29,691	58,480	(28,789)	-49%
459.05	Marketing Collateral	29,691	56,917	(27,226)	-48%
459.15	Community Engagement Activities & Sponsorship	-	1,563	(1,563)	-100%
	Programs	-	33,750	(33,750)	-100%
	Program Costs	-	33,750	(33,750)	-100%
	Rents & Leases	3,180	6,030	(2,850)	-47%
457.10	Hunt Boyer Mansion	3,180	6,030	(2,850)	-47%
	Other A&G	113,618	102,016	11,602	11%
459.08	Development - New Members	-	6,000	(6,000)	-100%
459.09	Strategic Plan Implementation	22,401	18,750	3,651	19%
459.10	PG&E Data Fees	66,867	75,018	(8,151)	-11%
459.20	Insurance	4,029	1,933	2,096	108%
459.70	Banking Fees	20,321	315	20,005	6347%
463.10	Miscellaneous Operating Expenses	2,567	1,611	957	0%
463.99	Contingency	-	32,862	(32,862)	-100%
	TOTAL OPERATING EXPENSES	20,001,566	18,029,020	1,972,546	11%
481.10	Interest on RCB loan	11,725	4,018	7,707	192%
	NET INCOME	(1,178,660)	(2,752,388)	1,573,729	-57%