

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 8

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

DATE: November 14, 2019

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of September 30, 2019 has a total of \$7,606,263 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$736,947 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of September 30, 2019 \$377,430 and \$895,472 respectively for a grand total of \$1,272,902. 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 September 30, 2019 totaled \$1,976,610. At September 30, 2019, VCE's net position is \$10,971,189.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$5,533,643 of revenue (net of allowance for doubtful accounts) of which \$6,424,376 was billed in September and (\$886,379) represent estimated unbilled revenue. The cost of the electricity for the September revenue totaled \$3,927,391. For September, VCEA's gross margin is approximately 29.03% and operating income totaled \$1,282,541. The year-to-date change in net position was \$3,634,543.

In the Statement of Cash Flows, VCEA cash flows from operations was negative (\$1,495,194) due to September monthly operating expenses exceeding cash receipts of revenues due to a lag in September customer payments resulting from a wide re-billing effort. This lower than expected cash flow from operations in September is expected to be made up completely in October business.

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

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

Electric Revenue - (\$1,451,197) and (7%) - variance is due to slightly milder than expected weather year to date, along with a slightly lower actual customer load than expected.

Salaries & Wages/Benefits - (\$64,066) and (42%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Operating Services - (\$84,226) and (79%) – variance is mainly due to SMUD not having billed for the IRP update and NEM roll-in analysis included in the budget.

Contingency - (\$60,371) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is partially offset by \$13,366 of PG&E acquisition-related expenses.

Attachments:

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



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2019

PREPARED ON OCTOBER 28, 2019

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

	SEPTEMBER 30, 2019
ASSETS	
Cash and cash equivalents	\$ 7,606,263
Accounts receivable, net of allowance	8,974,491
Accrued revenue	3,069,015
Prepaid expenses	3,750
Inventory - Renewable Energy Credits	230,551
Other current assets and deposits	2,540
Total current assets	19,886,610
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	736,947
Total restricted assets	1,836,947
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	100,000
TOTAL ASSETS	\$ 21,823,557
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 802,965
Accrued payroll	3,495
Interest payable	123,863
Due to member agencies	377,430
Accrued cost of electricity	4,352,224
Other accrued liabilities	1,126,743
Security deposits - energy supplies	515,640
User taxes and energy surcharges	73,398
Line of credit	1,976,610
Total current liabilities	9,352,368
Noncurrent liabilities	
Loans from member agencies	1,500,000
Total noncurrent liabilities	1,500,000
TOTAL LIABILITIES	\$ 10,852,368
NET POSITION	
Restricted	
Local Programs Reserve	\$ 109,712
Unrestricted	
Total unrestricted	10,861,477
TOTAL NET POSITION	\$ 10,971,189

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

	FOR THE PERIOD ENDING SEPTEMBER 30, 2019	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 5,533,643	\$ 19,099,446
TOTAL OPERATING REVENUES	5,533,643	19,099,446
OPERATING EXPENSES		
Cost of electricity	3,927,391	14,341,975
Contract services	219,573	754,433
Staff compensation	71,306	242,735
General, administration, and other	32,832	97,037
TOTAL OPERATING EXPENSES	4,251,102	15,436,180
TOTAL OPERATING INCOME (LOSS)	1,282,541	3,663,266
NONOPERATING REVENUES (EXPENSES)		
Interest income	7,813	9,581
Interest and related expenses	(21,342)	(38,304)
TOTAL NONOPERATING REVENUES (EXPENSES)	(13,529)	(28,723)
CHANGE IN NET POSITION	1,269,012	3,634,543
Net position at beginning of period	9,702,177	7,328,833
Net position at end of period	\$ 10,971,189	\$ 10,963,376

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

	FOR THE PERIOD ENDING SEPTEMBER 30, 2019	YEAR TO DATE
	<u>2019</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 4,248,566	\$ 16,362,876
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(5,600,580)	(15,223,790)
Payments for contract services, general, and administration	(72,071)	(629,169)
Payments for staff compensation	(71,109)	(243,029)
Net cash provided (used) by operating activities	<u>(1,495,194)</u>	<u>782,528</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Interest and related expenses	(8,229)	(26,753)
Net cash provided (used) by non-capital financing activities	<u>(8,229)</u>	<u>(26,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	7,813	17,394
Net cash provided (used) by investing activities	<u>7,813</u>	<u>17,394</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,495,610)	773,169
Cash and cash equivalents at beginning of period	10,938,820	8,670,041
Cash and cash equivalents at end of period	<u>\$ 9,443,210</u>	<u>\$ 9,443,210</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 7,606,263	\$ 7,606,263
Restricted assets	1,836,947	1,836,947
Cash and cash equivalents at end of period	<u>\$ 9,443,210</u>	<u>\$ 9,443,210</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF SEPTEMBER 1 TO SEPTEMBER 30, 2019
(WITH COMPARATIVE PRIOR PERIOD INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING SEPTEMBER 30, 2019</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,282,541	\$ 2,380,725
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(2,190,142.00)	(1,789,076.00)
(Increase) decrease in accrued revenue	889,946	336,752
(Increase) decrease in prepaid expenses	9,497	(13,247)
(Increase) decrease in inventory - renewable energy credits	87,488	(110,871)
Increase (decrease) in accounts payable	211,155	5,690
Increase (decrease) in accrued payroll	197	(491)
Increase (decrease) in due to member agencies	19,400	(52,279)
Increase (decrease) in accrued cost of electricity	(1,760,677)	902,245
Increase (decrease) in other accrued liabilities	(59,718)	101,803
Increase (decrease) security deposits with energy suppliers	-	515,640
Increase (decrease) in user taxes and energy surcharges	15,119	831
Net cash provided (used) by operating activities	<u>\$ (1,495,194)</u>	<u>\$ 2,277,722</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 9-30-2019
FOR THE YEAR TO DATE ENDING June 30, 2020

Description	9/30/2019	9/30/2019	YTD Variance	%
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 19,099,444	\$ 20,550,641	\$ (1,451,197)	-7%
Interest Revenues	17,394	21,933	(4,539)	-21%
Purchased Power	14,341,975	14,444,586	(102,611)	-1%
Labor & Benefits	242,736	294,729	(51,994)	-18%
Salaries & Wages/Benefits	88,138	152,204	(64,066)	-42%
Contract Labor	147,402	139,376	8,026	6%
Human Resources & Payroll	7,196	3,150	4,046	128%
Office Supplies & Other Expenses	30,660	31,973	(1,313)	-4%
Technology Costs	2,692	2,316	376	16%
Office Supplies	488	307	181	59%
Travel	240	1,200	(960)	-80%
CalCCA Dues	27,240	27,250	(10)	0%
Memberships	-	900	(900)	-100%
Contractual Services	754,406	797,921	(43,515)	-5%
Don Dame	9,724	4,500	5,224	116%
SMUD - Credit Support	179,805	193,949	(14,143)	-7%
SMUD - Wholesale Energy Services	141,024	141,036	(12)	0%
SMUD - Call Center	166,551	166,587	(37)	0%
SMUD - Operating Services	21,774	106,000	(84,226)	-79%
Legal	28,715	42,000	(13,285)	-32%
Regulatory Counsel	51,093	46,320	4,773	10%
Joint Regulatory	12,534	7,500	5,034	67%
Legislative	15,000	15,000	-	0%
Accounting Services	-	6,000	(6,000)	-100%
Audit Fees	35,250	13,500	21,750	161%
PG&E Acquisition Consulting	13,366	-	13,366	100%
Marketing Collateral	79,571	55,529	24,042	43%
Rents & Leases	4,325	4,326	(1)	0%
Hunt Boyer Mansion	4,325	4,326	(1)	0%
Other A&G	60,584	76,945	(16,361)	-21%
PG&E Data Fees	59,233	58,305	928	2%
Community Engagement Activities & Sponsorships	-	1,500	(1,500)	-100%
Insurance	1,350	1,840	(489)	-27%
New Member Expenses	-	15,000	(15,000)	-100%
Banking Fees	-	300	(300)	-100%
Miscellaneous Operating Expenses	1,493	1,533	(40)	-3%
Contingency	-	60,371	(60,371)	-100%
TOTAL OPERATING EXPENSES	\$ 15,436,178	\$ 15,712,384	\$ (276,206)	-2%
Interest Expense - Munis	13,498	13,815	(317)	-2%
Interest on RCB loan	20,329	21,791	(1,462)	-7%
Interest Expense - SMUD	4,477	4,793	(316)	-7%
Miscellaneous Non-Operating	-	-	-	0%
NET INCOME	\$ 3,642,356	\$ 4,819,791	\$ (1,177,435)	-24%