

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 8**

TO: Board of Directors

FROM: Mitch Sears, Executive Director
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – May 31, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2022

DATE: July 14, 2022

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of May 1, 2022 to May 31, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2022.

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 May 31, 2022.

Financial Statements for the period May 1, 2022 – May 31, 2022

In the Statement of Net Position, VCEA, as of May 31, 2021, has a total of \$5,394,594 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$1,021 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of May 31, 2021, \$63,730 VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$1,013,129. The line of credit with the County of Yolo has an outstanding balance of \$3,000,000. On May 31, 2022, VCE's net position is \$8,856,490.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$ 6,561,355 of revenue (net of allowance for doubtful accounts), of which \$ 5,585,867 was billed in May, and \$3,896,362 represent estimated unbilled revenue. The cost of the electricity for the May revenue totaled \$5,585,867. For May, VCEA's gross margin was approximate 15% and net income totaled \$467,620. The year-to-date change in net position was (\$1,155,131).

In the Statement of Cash Flows, VCEA cash flows from operations were \$142,533 due to May cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending May 31, 2022

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

- Electric Revenue - \$93,772 and 0.5% – favorable variance due to the weather has been warmer than forecast during the winter months and rate and PCIA impacts.
- Purchased Power – (\$535,641) and -2% – favorable variance is due to load being more favorable than planned due to mild winter/spring weather for residential and commercial customer classes compared to load forecast, and lower power market prices during winter months.
- Banking Fees – (\$133,962) and -1,696% – unfavorable related to the upfront banking fees for the executed 2 year agreement line of credit with River City Bank and issuance of letter of credit for a pricing discount on a VCE power purchase agreement (PPA). VCE PPA savings will offset all unbudgeted costs related to banking fees in the current budget year.

Attachments:

- 1) Financial Statements (Unaudited) May 1, 2022 to May 31, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending May 31, 2022



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2022

PREPARED ON JULY 8, 2022

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MAY 31, 2022
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	5,394,594
Accounts receivable, net of allowance		8,372,560
Accrued revenue		3,892,484
Prepaid expenses		18,800
Other current assets and deposits		1,998,276
Total current assets		<u>19,676,714</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,021
Total restricted assets		<u>1,101,021</u>

TOTAL ASSETS	\$	<u>20,777,735</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$	405,467
Accrued payroll		54,781
Interest payable		2,356
Due to member agencies		63,730
Accrued cost of electricity		5,286,685
Other accrued liabilities		16,117
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		98,980
Limited Term Loan		1,013,129
Loan - County of Yolo		3,000,000
Total current liabilities		<u>11,921,245</u>

Total noncurrent liabilities		-
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TOTAL LIABILITIES	\$	<u>11,921,245</u>
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NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		1,101,021
Unrestricted		7,530,969
TOTAL NET POSITION	\$	<u>8,856,490</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MAY 1, 2022 TO MAY 31, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MAY 31, 2022	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 6,561,355	\$ 23,204,771
TOTAL OPERATING REVENUES	<u>6,561,355</u>	<u>23,204,771</u>
OPERATING EXPENSES		
Cost of electricity	5,585,867	22,321,097
Contract services	228,590	1,011,759
Staff compensation	103,942	519,148
General, administration, and other	172,369	496,070
TOTAL OPERATING EXPENSES	<u>6,090,768</u>	<u>24,348,074</u>
TOTAL OPERATING INCOME (LOSS)	470,587	(1,143,303)
NONOPERATING REVENUES (EXPENSES)		
Interest income	1,633	5,883
Interest and related expenses	(4,600)	(17,711)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,967)</u>	<u>(11,828)</u>
CHANGE IN NET POSITION	467,620	(1,155,131)
Net position at beginning of period	8,388,870	10,011,621
Net position at end of period	<u>\$ 8,856,490</u>	<u>\$ 8,856,490</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING MAY 31, 2022</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 5,085,622	\$ 19,996,282
Payments to purchase electricity	(4,430,717)	(22,282,386)
Payments for contract services, general, and administration	(399,383)	(1,089,017)
Payments for staff compensation	(112,989)	(528,276)
Net cash provided (used) by operating activities	<u>142,533</u>	<u>(3,903,397)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(41,066)	2,860,103
Interest and related expenses	(4,600)	(18,141)
Net cash provided (used) by non-capital financing activities	<u>(45,666)</u>	<u>2,841,962</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,633	5,883
Net cash provided (used) by investing activities	<u>1,633</u>	<u>5,883</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	98,500	(1,055,552)
Cash and cash equivalents at end of period	<u>6,397,115</u>	<u>6,397,115</u>
	<u>\$ 6,495,615</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	5,394,594	5,394,594
Restricted assets	1,101,021	1,101,021
Cash and cash equivalents at end of period	<u>\$ 6,495,615</u>	<u>\$ 6,495,615</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>MAY 31, 2022</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 470,587	\$ (1,143,303)
(Increase) decrease in net accounts receivable	(370,248.00)	(1,064,715.41)
(Increase) decrease in accrued revenue	(1,078,729)	(2,124,290.74)
(Increase) decrease in prepaid expenses	10,917	866,430.00
Increase (decrease) in accounts payable	(20,196)	(39,275.00)
Increase (decrease) in accrued payroll	(9,047)	(9,128.00)
Increase (decrease) in due to member agencies	1,084	(54,215.00)
Increase (decrease) in accrued cost of electricity	1,155,150	(45,484.00)
Increase (decrease) in other accrued liabilities	9,771	(269,633.00)
Increase (decrease) in user taxes and energy surcharges	(26,756)	(19,782.90)
Net cash provided (used) by operating activities	<u>\$ 142,533</u>	<u>\$ (3,903,397)</u>

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 05/31/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 23,204,772	\$ 23,111,000	\$ 93,772	0%
Interest Revenues	\$ 6,208	\$ 7,500	\$ (1,292)	-17%
Purchased Power	\$ 22,321,097	\$ 22,850,700	\$ (535,641)	-2%
Purchased Power Base	\$ 22,315,059	\$ 22,638,400	\$ (323,341)	-1%
Purchased Power Contingency 2%	\$ -	\$ 212,300	\$ (212,300)	-100%
Labor & Benefits	\$ 520,144	\$ 545,500	\$ (25,356)	-5%
Salaries & Wages/Benefits	\$ 427,446	\$ 454,000	\$ (26,554)	-6%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 20,500	\$ (20,500)	-100%
Human Resources & Payroll	\$ 92,698	\$ 71,000	\$ 21,698	31%
Office Supplies & Other Expenses	\$ 107,113	\$ 82,000	\$ 25,113	31%
Technology Costs	\$ 27,555	\$ 14,500	\$ 13,055	90%
Office Supplies	\$ 5,500	\$ 1,000	\$ 4,500	450%
Travel	\$ -	\$ 2,500	\$ (2,500)	-100%
CalCCA Dues	\$ 46,168	\$ 53,000	\$ (6,832)	-13%
CC Power	\$ 26,891	\$ 10,000	\$ 16,891	169%
Memberships	\$ 1,000	\$ 1,000	\$ -	0%
Contractual Services	\$ 945,251	\$ 1,036,400	\$ (91,149)	-9%
Other Contract Services	\$ -	\$ 10,500	\$ (10,500)	-100%
Don Dame	\$ 3,371	\$ 4,000	\$ (629)	-16%
SMUD - Credit Support	\$ 187,711	\$ 205,400	\$ (17,689)	-9%
SMUD - Wholesale Energy Services	\$ 244,935	\$ 244,000	\$ 935	0%
SMUD - Call Center	\$ 327,767	\$ 329,500	\$ (1,733)	-1%
SMUD - Operating Services	\$ 10,779	\$ 25,000	\$ (14,221)	-57%
Commercial Legal Support	\$ -	\$ -	\$ -	100%
Legal General Counsel	\$ 38,464	\$ 64,500	\$ (26,036)	-40%
Regulatory Counsel	\$ 56,243	\$ 83,000	\$ (26,757)	-32%
Joint CCA Regulatory counsel	\$ 192	\$ 13,500	\$ (13,308)	-99%
Legislative - (Lobbyist)	\$ 25,000	\$ 25,000	\$ -	0%
Accounting Services	\$ 5,421	\$ 11,000	\$ (5,579)	-51%
Financial Consultant	\$ -	\$ 10,500	\$ (10,500)	-100%
Audit Fees	\$ 45,368	\$ 10,500	\$ 34,868	332%
Marketing	\$ 77,313	\$ 102,500	\$ (25,187)	-25%
Marketing Collateral	\$ 77,313	\$ 100,000	\$ (22,687)	-23%
Community Engagement Activities & Sponsorships	\$ -	\$ 2,500	\$ (2,500)	-100%
Programs	\$ 91,298	\$ 72,500	\$ 18,798	26%
Program Costs	\$ 91,298	\$ 72,500	\$ 18,798	26%
Rents & Leases	\$ 11,200	\$ 9,000	\$ 2,200	24%
Hunt Boyer Mansion	\$ 11,200	\$ 9,000	\$ 2,200	24%
Other A&G	\$ 274,806	\$ 147,400	\$ 127,406	86%
Development - New Members	\$ -	\$ 10,500	\$ (10,500)	-100%
Strategic Plan Implementation	\$ (90)	\$ 10,500	\$ (10,590)	-101%
PG&E Data Fees	\$ 126,784	\$ 115,000	\$ 11,784	10%
Insurance	\$ 6,250	\$ 3,500	\$ 2,750	79%
Banking Fees	\$ 141,862	\$ 7,900	\$ 133,962	1696%
Miscellaneous Operating Expenses	\$ 176	\$ 600	\$ 600	100%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
TOTAL OPERATING EXPENSES	\$ 24,348,397	\$ 24,866,600	\$ (483,217)	-2%
Interest on RCB loan	\$ 17,711	\$ 15,600	\$ 2,111	14%
Interest Expense - Bridge Loan	\$ -	\$ 20,800	\$ (20,800)	-100%
NET INCOME	\$ (1,155,128)	\$ (1,784,500)	\$ 594,386	-33%