TO: Valley Clean Energy Alliance Board of Directors

FROM: Mitch Sears, Interim General Manager
George Vaughn, Finance and Operations Director

SUBJECT: Financial Update – August 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending August 31, 2020

DATE: October 8, 2020

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

Financial Statements for the period August 1, 2020 – August 31, 2020
In the Statement of Net Position, VCEA as of August 31, 2020 has a total of $13,700,229 in its checking, money market and lockbox accounts, $1,100,000 restricted assets for the Debt Service Reserve account and $1,425,866 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of August 31, 2020 $158,361 and $64,657 respectively for a grand total of $223,018. 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 $1,284,797 as of August 31, 2020, for a total of $1,680,119. At August 31, 2020, VCE’s net position is $16,360,289.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded $6,965,536 of revenue (net of allowance for doubtful accounts) of which $6,513,123 was billed in August and $516,037 represent estimated unbilled revenue. The cost of the electricity for the August revenue totaled $7,076,740. For August, VCEA’s gross margin is approximately -2% and the operating loss totaled ($525,838). The year-to-date change in net position was ($227,397).

In the Statement of Cash Flows, VCEA cash flows from operations was ($728,861) due to August cash receipts of revenues being lower than the monthly cash operating expenses.

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

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

Electric Revenue - $909,681 and 7% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven’t been as severe as anticipated.

Purchased Power - $1,050,902 and 9% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts haven’t been as severe as anticipated.

**Attachments:**

1) Financial Statements (Unaudited) August 1, 2020 to August 31, 2020 (with comparative year to date information.)
2) Actual vs. Budget for year to date ending August 31, 2020
VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020

PREPARED ON OCTOBER 2, 2020
## ASSETS
Current assets:
- Cash and cash equivalents $13,700,229
- Accounts receivable, net of allowance $7,427,374
- Accrued revenue $3,069,118
- Prepaid expenses $1,188
- Inventory - Renewable Energy Credits $1,698,800
- Other current assets and deposits $2,540
- Total current assets $25,909,947

Restricted assets:
- Debt service reserve fund $1,100,000
- Power purchase reserve fund $1,425,866
- Total restricted assets $2,525,866

Noncurrent assets:
- Other noncurrent assets and deposits $100,000
- Total noncurrent assets $100,000
- **TOTAL ASSETS** $28,535,813

## LIABILITIES
Current liabilities:
- Accounts payable $718,887
- Accrued payroll $17,165
- Interest payable $4,406
- Due to member agencies $158,361
- Accrued cost of electricity $8,710,818
- Other accrued liabilities $406,985
- Security deposits - energy supplies $421,140
- User taxes and energy surcharges $57,643
- Current Portion of LT Debt $395,322
- Total current liabilities $10,890,727

Noncurrent liabilities:
- Term Loan- RCB $1,284,797
- Loans from member agencies $850,000
- Total noncurrent liabilities $1,284,797
- **TOTAL LIABILITIES** $12,175,524

## NET POSITION
- Restricted
  - Local Programs Reserve $136,898
- Restricted $2,525,866
- Unrestricted $13,697,525
- **TOTAL NET POSITION** $16,360,289
**VALLEY CLEAN ENERGY ALLIANCE**  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN NET POSITION  
FOR THE PERIOD OF AUGUST 1, 2020 TO AUGUST 31, 2020  
(WITH COMPARATIVE YEAR TO DATE INFORMATION)  
(UNAUDITED)

<table>
<thead>
<tr>
<th>OPERATING REVENUE</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity sales, net</td>
<td>$ 6,965,536</td>
<td>$ 13,977,811</td>
</tr>
<tr>
<td>Public purpose program revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL OPERATING REVENUES</strong></td>
<td><strong>6,965,536</strong></td>
<td><strong>13,977,811</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPERATING EXPENSES</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of electricity</td>
<td>7,076,740</td>
<td>13,374,592</td>
</tr>
<tr>
<td>Contract services</td>
<td>283,088</td>
<td>568,682</td>
</tr>
<tr>
<td>Staff compensation</td>
<td>89,282</td>
<td>186,814</td>
</tr>
<tr>
<td>General, administration, and other</td>
<td>42,264</td>
<td>77,327</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td><strong>7,491,374</strong></td>
<td><strong>14,207,415</strong></td>
</tr>
</tbody>
</table>

| TOTAL OPERATING INCOME (LOSS) | (525,838) |

<table>
<thead>
<tr>
<th>NONOPERATING REVENUES (EXPENSES)</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>6,102</td>
<td>13,176</td>
</tr>
<tr>
<td>Interest and related expenses</td>
<td>(5,380)</td>
<td>(10,969)</td>
</tr>
<tr>
<td><strong>TOTAL NONOPERATING REVENUES (EXPENSES)</strong></td>
<td><strong>722</strong></td>
<td><strong>2,207</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CHANGE IN NET POSITION</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net position at beginning of period</td>
<td>16,885,403</td>
<td>16,587,684</td>
</tr>
<tr>
<td>Net position at end of period</td>
<td>$ 16,360,287</td>
<td>$ 16,360,287</td>
</tr>
</tbody>
</table>

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### VALLEY CLEAN ENERGY ALLIANCE
### STATEMENTS OF CASH FLOWS
### FOR THE PERIOD OF AUGUST 1 TO AUGUST 31, 2020
### (WITH YEAR TO DATE INFORMATION)
### (UNAUDITED)

<table>
<thead>
<tr>
<th>CASH FLOWS FROM OPERATING ACTIVITIES</th>
<th>FOR THE PERIOD ENDING</th>
<th>YEAR TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AUGUST 31, 2020</td>
<td></td>
</tr>
<tr>
<td>Receipts from electricity sales</td>
<td>$ 6,109,375</td>
<td>$ 12,412,097</td>
</tr>
<tr>
<td>Receipts for security deposits</td>
<td>(94,500)</td>
<td>(94,500)</td>
</tr>
<tr>
<td>Payments to purchase electricity</td>
<td>(6,296,192)</td>
<td>(10,954,001)</td>
</tr>
<tr>
<td>Payments for contract services,</td>
<td>(356,795)</td>
<td>(708,347)</td>
</tr>
<tr>
<td>general, and administration</td>
<td>(90,749)</td>
<td>(181,453)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td>(728,861)</td>
<td>473,796</td>
</tr>
</tbody>
</table>

### CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

| Loans from member agencies           |                       |
| Draw of line of credit               |                       |
| Transfer to restricted cash          |                       |
| Principal payments of Debt          | (32,943)              | (65,887)     |
| Interest and related expenses       | (5,481)               | (10,998)     |
| **Net cash provided (used) by non-capital financing activities** | (38,424)            | (76,885)     |

### CASH FLOWS FROM INVESTING ACTIVITIES

| Interest income                      | 6,102                  | 13,176       |
| **Net cash provided (used) by investing activities** | 6,102                  | 13,176       |

### NET CHANGE IN CASH AND CASH EQUIVALENTS

| Cash and cash equivalents at beginning of period | 16,987,276 | 15,816,006 |
| **Cash and cash equivalents at end of period** | $ 16,226,093 | $ 16,226,093 |

Cash and cash equivalents included in:

| Cash and cash equivalents | 13,700,229 | 13,700,229 |
| Restricted assets         | 2,525,866  | 2,525,866  |
| **Cash and cash equivalents at end of period** | $ 16,226,095 | $ 16,226,095 |
## RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

<table>
<thead>
<tr>
<th>Reconciliation</th>
<th>August 31, 2020</th>
<th>Year To Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income (Loss)</td>
<td>$(525,838)</td>
<td>$(229,604)</td>
</tr>
<tr>
<td>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in net accounts receivable</td>
<td>$(311,928.00)</td>
<td>$(1,467,163.00)</td>
</tr>
<tr>
<td>(Increase) decrease in accrued revenue</td>
<td>$(517,655)</td>
<td>$(95,923.00)</td>
</tr>
<tr>
<td>(Increase) decrease in prepaid expenses</td>
<td>10,011</td>
<td>(11,261.00)</td>
</tr>
<tr>
<td>(Increase) decrease in inventory - renewable energy credits</td>
<td>$(1,698,800)</td>
<td>$(1,698,800.00)</td>
</tr>
<tr>
<td>Increase (decrease) in accounts payable</td>
<td>2,990</td>
<td>76,487.00</td>
</tr>
<tr>
<td>Increase (decrease) in accrued payroll</td>
<td>(1,467)</td>
<td>5,361.00</td>
</tr>
<tr>
<td>Increase (decrease) in due to member agencies</td>
<td>19,895</td>
<td>41,895.00</td>
</tr>
<tr>
<td>Increase (decrease) in accrued cost of electricity</td>
<td>2,479,348</td>
<td>4,119,391.00</td>
</tr>
<tr>
<td>Increase (decrease) in other accrued liabilities</td>
<td>(64,339)</td>
<td>(169,459.00)</td>
</tr>
<tr>
<td>Increase (decrease) in security deposits with energy suppliers</td>
<td>(94,500)</td>
<td>(94,500)</td>
</tr>
<tr>
<td>Increase (decrease) in user taxes and energy surcharges</td>
<td>(26,578)</td>
<td>(2,628.00)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities</strong></td>
<td><strong>$(728,861)</strong></td>
<td><strong>$473,796</strong></td>
</tr>
</tbody>
</table>
### VALLEY CLEAN ENERGY
### ACTUAL VS. BUDGET FYE 6-30-2021
### FOR THE YEAR TO DATE ENDING 08-31-20

<table>
<thead>
<tr>
<th>Description</th>
<th>8/31/2021 FY2021 Actuals</th>
<th>8/31/2021 FY2021 Budget</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Revenue</td>
<td>$13,977,811</td>
<td>$13,068,130</td>
<td>$909,681</td>
</tr>
<tr>
<td>Interest Revenues</td>
<td>$13,175</td>
<td>$14,233</td>
<td>($1,058)</td>
</tr>
<tr>
<td>Purchased Power</td>
<td>$13,374,592</td>
<td>$12,323,690</td>
<td>$1,050,902</td>
</tr>
<tr>
<td>Labor &amp; Benefits</td>
<td>$186,813</td>
<td>$204,258</td>
<td>($17,445)</td>
</tr>
<tr>
<td>Salaries &amp; Wages/Benefits</td>
<td>$126,099</td>
<td>$119,908</td>
<td>$6,191</td>
</tr>
<tr>
<td>Contract Labor</td>
<td>$46,666</td>
<td>$68,285</td>
<td>($21,619)</td>
</tr>
<tr>
<td>Human Resources &amp; Payroll</td>
<td>$14,048</td>
<td>$16,064</td>
<td>($2,016)</td>
</tr>
<tr>
<td>Office Supplies &amp; Other Expenses</td>
<td>$27,677</td>
<td>$24,471</td>
<td>$3,206</td>
</tr>
<tr>
<td>Technology Costs</td>
<td>$8,439</td>
<td>$3,583</td>
<td>$4,856</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>$50</td>
<td>$384</td>
<td>($334)</td>
</tr>
<tr>
<td>Travel</td>
<td>-</td>
<td>$1,016</td>
<td>($1,016)</td>
</tr>
<tr>
<td>CalCCA Dues</td>
<td>$19,188</td>
<td>$19,189</td>
<td>($1)</td>
</tr>
<tr>
<td>Memberships</td>
<td>-</td>
<td>$300</td>
<td>($300)</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>$570,907</td>
<td>$573,901</td>
<td>($2,994)</td>
</tr>
<tr>
<td>LEAN Energy</td>
<td>$2,225</td>
<td>$4,000</td>
<td>($1,775)</td>
</tr>
<tr>
<td>Don Dame</td>
<td>$525</td>
<td>$1,667</td>
<td>($1,142)</td>
</tr>
<tr>
<td>SMUD - Credit Support</td>
<td>$125,333</td>
<td>$130,613</td>
<td>($5,280)</td>
</tr>
<tr>
<td>SMUD - Wholesale Energy Services</td>
<td>$95,944</td>
<td>$96,093</td>
<td>($149)</td>
</tr>
<tr>
<td>SMUD - Call Center</td>
<td>$120,843</td>
<td>$119,931</td>
<td>$912</td>
</tr>
<tr>
<td>SMUD - Operating Services</td>
<td>$96,055</td>
<td>$90,000</td>
<td>$6,055</td>
</tr>
<tr>
<td>Legal Bankruptcy</td>
<td>-</td>
<td>$4,100</td>
<td>($4,100)</td>
</tr>
<tr>
<td>Legal General Counsel</td>
<td>$5,697</td>
<td>$24,600</td>
<td>($18,903)</td>
</tr>
<tr>
<td>Regulatory Counsel</td>
<td>$46,896</td>
<td>$31,652</td>
<td>$15,244</td>
</tr>
<tr>
<td>Joint CCA Regulatory counsel</td>
<td>$1,771</td>
<td>$5,125</td>
<td>($3,354)</td>
</tr>
<tr>
<td>Legislative</td>
<td>$10,000</td>
<td>$10,250</td>
<td>($250)</td>
</tr>
<tr>
<td>Accounting Services</td>
<td>$4,095</td>
<td>$4,100</td>
<td>($5)</td>
</tr>
<tr>
<td>Audit Fees</td>
<td>$23,385</td>
<td>$13,838</td>
<td>$9,548</td>
</tr>
<tr>
<td>PG&amp;E Acquisition Consulting</td>
<td>$945</td>
<td>-</td>
<td>945</td>
</tr>
<tr>
<td>Marketing Collateral</td>
<td>$37,193</td>
<td>$37,933</td>
<td>($740)</td>
</tr>
<tr>
<td>Rents &amp; Leases</td>
<td>$5,791</td>
<td>$2,896</td>
<td>$2,895</td>
</tr>
<tr>
<td>Hunt Boyer Mansion</td>
<td>$5,791</td>
<td>$2,896</td>
<td>$2,895</td>
</tr>
<tr>
<td>Other A&amp;G</td>
<td>$41,515</td>
<td>$55,267</td>
<td>($13,752)</td>
</tr>
<tr>
<td>PG&amp;E Data Fees</td>
<td>$40,145</td>
<td>$48,780</td>
<td>($8,635)</td>
</tr>
<tr>
<td>Community Engagement Activities &amp; Sponsorships</td>
<td>$536</td>
<td>$1,025</td>
<td>($489)</td>
</tr>
<tr>
<td>Insurance</td>
<td>$834</td>
<td>$1,257</td>
<td>($423)</td>
</tr>
<tr>
<td>New Member Expenses</td>
<td>-</td>
<td>$4,000</td>
<td>($4,000)</td>
</tr>
<tr>
<td>Banking Fees</td>
<td>-</td>
<td>$205</td>
<td>($205)</td>
</tr>
<tr>
<td>Program Costs</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous Operating Expenses</td>
<td>$119</td>
<td>$1,048</td>
<td>($929)</td>
</tr>
<tr>
<td>Contingency</td>
<td>-</td>
<td>$43,092</td>
<td>($43,092)</td>
</tr>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>$14,207,414</td>
<td>$13,228,622</td>
<td>$978,792</td>
</tr>
<tr>
<td>Interest Expense - Munis</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest on RCB loan</td>
<td>$10,431</td>
<td>$10,461</td>
<td>($30)</td>
</tr>
<tr>
<td>Interest Expense - SMUD</td>
<td>$538</td>
<td>$538</td>
<td>-</td>
</tr>
<tr>
<td><strong>NET INCOME</strong></td>
<td>($227,397)</td>
<td>($157,259)</td>
<td>($70,138)</td>
</tr>
</tbody>
</table>