

VALLEY CLEAN ENERGY ALLIANCE

Staff Report – Item 6

TO: Board of Directors

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

SUBJECT: Financial Update – February 28, 2021 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending February 28, 2021

DATE: April 8, 2021

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of February 1, 2021 to February 28, 2021 (with comparative year to date information) and Actual vs. Budget year to date ending February 28, 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 February 28, 2021.

Financial Statements for the period February 1, 2021 – February 28, 2021

In the Statement of Net Position, VCEA as of February 28, 2021 has a total of \$13,263,188 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,670,781 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of February 28, 2021 \$35,813. 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 \$395,322 and a long-term portion of \$1,087,039 as of February 28, 2021, for a total of \$1,482,461. On February 28, 2021, VCE's net position is \$15,921,692.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$2,731,236 of revenue (net of allowance for doubtful accounts) of which \$2,497,146 was billed in February and (\$1,462,901) represent estimated unbilled revenue. The cost of the electricity for the February revenue totaled \$2,832,344. For February, VCEA's gross margin is approximately (3%) and operating loss totaled (\$469,559). The year-to-date change in net position was (\$652,031).

In the Statement of Cash Flows, VCEA cash flows from operations was (\$336,335) due to February cash receipts of revenues being lower than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending February 28, 2021

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

- Electric Revenue - \$4,645,201 and 13% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.
- Purchased Power - \$3,840,042 and 12% – variance is due to load being more favorable year-to-date than planned; the COVID and recessionary impacts have not been as severe as anticipated and the weather has been warmer than forecast.
- Contract Labor – 55,009 and 50% unfavorable variance to budget due to SMUD contract labor extended during recruitment and transition to VCE in-house staff.
- SMUD – Operations Services – (68,598) and (42%) favorable variance to budget related to VCE staff onboarding and less support required for current operations.
- Legal General Counsel – (\$78,870) and (80%) – favorable variance to budget due to services lower than planned from member agencies and no major cases requiring general counsel.
- New Member Expenses – (51,500) and (100%) favorable variance to budget related to no new member territories being added this year. Winters onboarding expenses are included in marketing and outreach.
- Contingency – (\$156,401) and (100%) – favorable variance to budget is due to not having a need yet to utilize the contingency funds set aside in the budget.

Attachments:

- 1) Financial Statements (Unaudited) February 1, 2021 to February 28, 2021 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending February 28, 2021



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF FEBRUARY 1 TO FEBRUARY 28, 2021

PREPARED ON MARCH 30, 2021

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
February 28, 2021
(UNAUDITED)

ASSETS

Current assets:

Cash and cash equivalents	\$	13,263,188
Accounts receivable, net of allowance		4,151,699
Accrued revenue		1,462,901
Prepaid expenses		11,886
Other current assets and deposits		6,883
Total current assets		<u>18,896,557</u>

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,670,781
Total restricted assets		<u>2,770,781</u>

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000

TOTAL ASSETS	\$	<u>21,767,338</u>
---------------------	-----------	--------------------------

LIABILITIES

Current liabilities:

Accounts payable	\$	478,685
Accrued payroll		30,076
Interest payable		3,357
Due to member agencies		35,813
Accrued cost of electricity		2,832,227
Other accrued liabilities		(1,326,144)
Security deposits - energy supplies		2,258,640
User taxes and energy surcharges		36,570
Current Portion of LT Debt		395,322
Total current liabilities		<u>4,744,546</u>

Noncurrent liabilities

Term Loan- RCB		1,087,139
Total noncurrent liabilities		<u>1,087,139</u>

TOTAL LIABILITIES	\$	<u>5,831,685</u>
--------------------------	-----------	-------------------------

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		2,770,781
Unrestricted		12,940,372
TOTAL NET POSITION	\$	<u>15,935,653</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF FEBRUARY 1, 2021 TO FEBRUARY 28, 2021
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2021	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 2,731,369	\$ 39,446,901
TOTAL OPERATING REVENUES	<u>2,731,369</u>	<u>39,446,901</u>
OPERATING EXPENSES		
Cost of electricity	2,832,344	37,194,199
Contract services	198,567	1,769,391
Staff compensation	137,781	793,911
General, administration, and other	31,613	341,342
TOTAL OPERATING EXPENSES	<u>3,200,305</u>	<u>40,098,843</u>
TOTAL OPERATING INCOME (LOSS)	(468,936)	(651,942)
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,604	39,201
Interest and related expenses	(4,224)	(39,290)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(620)</u>	<u>(89)</u>
CHANGE IN NET POSITION	(469,556)	(652,031)
Net position at beginning of period	16,405,209	16,587,684
Net position at end of period	<u>\$ 15,935,653</u>	<u>\$ 15,935,653</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FERUARY 28, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING FEBRUARY 28, 2021	YEAR TO DATE
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 3,341,667	\$ 42,742,006
Receipts for security deposits with energy suppliers	(147,000)	1,743,000
Payments to purchase electricity	(2,689,641)	(38,953,399)
Payments for contract services, general, and administration	(707,096)	(4,268,950)
Payments for staff compensation	(134,265)	(775,639)
Other cash payments	-	(4,343)
Net cash provided (used) by operating activities	<u>(336,335)</u>	<u>482,675</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,943)	(263,545)
Interest and related expenses	(4,767)	(40,368)
Net cash provided (used) by non-capital financing activities	<u>(37,710)</u>	<u>(303,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	3,604	39,201
Net cash provided (used) by investing activities	<u>3,604</u>	<u>39,201</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(370,441)	217,963
Cash and cash equivalents at beginning of period	16,404,410	15,816,006
Cash and cash equivalents at end of period	<u>\$ 16,033,969</u>	<u>\$ 16,033,969</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	13,263,188	13,263,188
Restricted assets	2,770,781	2,770,781
Cash and cash equivalents at end of period	<u>\$ 16,033,969</u>	<u>\$ 16,033,969</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF FEBRUARY 1 TO FERUARY 28, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING FEBRUARY 28, 2021</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ (468,936)	\$ (651,942)
(Increase) decrease in net accounts receivable	649,369.00	1,808,512
(Increase) decrease in accrued revenue	(1,805)	1,510,294
(Increase) decrease in prepaid expenses	10,011	(11,261)
(Increase) decrease in inventory - renewable energy credi	-	-
(Increase) decrease in other assets and deposits	-	(4,343)
Increase (decrease) in accounts payable	12,049	(163,715)
Increase (decrease) in accrued payroll	3,516	18,272
Increase (decrease) in due to member agencies	(226,805)	(80,653)
Increase (decrease) in accrued cost of electricity	142,703	(1,759,200)
Increase (decrease) in other accrued liabilities	(272,171)	(1,902,588)
Increase (decrease)security deposits with energy supplier	(147,000)	1,743,000
Increase (decrease) in user taxes and energy surcharges	(37,266)	(23,701)
Net cash provided (used) by operating activities	<u>\$ (336,335)</u>	<u>\$ 482,675</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 02-28-2021

GL#	Description	1/31/2021	1/31/2021	YTD Variance	% over/-under
		YTD FY2021 Actuals	YTD FY2021 Budget		
301.00	Electric Revenue	\$ 39,446,901	\$ 34,801,700	\$ 4,645,201	13%
311.00	Interest Revenues	39,201	83,843	(44,643)	-53%
415.00	Purchased Power	37,194,194	33,354,152	3,840,042	12%
	Labor & Benefits	770,577	762,249	8,328	1%
451.10	Salaries & Wages/Benefits	532,722	567,757	(35,035)	-6%
451.20	Contract Labor	166,531	111,522	55,009	49%
453.41	Human Resources & Payroll	71,324	82,970	(11,647)	-14%
	Office Supplies & Other Expenses	106,225	97,886	8,339	9%
452.10	Technology Costs	26,835	14,330	12,504	87%
452.15	Office Supplies	1,203	1,536	(333)	-22%
452.25	Travel	-	4,064	(4,064)	-100%
452.30	CalCCA Dues	76,753	76,755	(3)	0%
452.35	Memberships	1,435	1,200	235	20%
	Contractual Services	1,808,976	1,992,426	(183,450)	-9%
453.10	LEAN Energy	13,320	16,000	(2,680)	-17%
453.15	Don Dame	2,596	6,667	(4,071)	-61%
453.20	SMUD - Credit Support	417,603	391,352	26,251	7%
453.21	SMUD - Wholesale Energy Services	383,776	384,370	(594)	0%
453.22	SMUD - Call Center	497,851	496,618	1,233	0%
453.23	SMUD - Operating Services	96,130	164,727	(68,598)	-42%
	Legal Bankruptcy	-	16,400	(16,400)	-100%
	Legal General Counsel	19,530	98,400	(78,870)	-80%
453.36	Regulatory Counsel	135,295	126,608	8,687	7%
453.37	Joint CCA Regulatory counsel	15,145	20,500	(5,355)	-26%
453.38	Legislative	40,000	41,000	(1,000)	-2%
453.40	Accounting Services	15,250	16,400	(1,150)	-7%
453.42	Audit Fees	43,100	59,963	(16,863)	-28%
453.60	PG&E Acquisition Consulting	849	-	849	100%
459.05	Marketing Outreach	128,532	153,422	(24,890)	-16%
	Rents & Leases	8,992	11,656	(2,665)	-23%
457.10	Hunt Boyer Mansion	8,992	11,656	(2,665)	-23%
	Other A&G	217,667	259,615	(41,948)	-16%
459.10	PG&E Data Fees	196,381	188,167	8,214	4%
459.15	Community Engagement Activities & Sponsorships	2,036	4,100	(2,064)	-50%
459.20	Insurance	4,260	5,028	(768)	-15%
459.08	New Member Expenses	-	51,500	(51,500)	-100%
459.70	Banking Fees	14,990	820	14,170	1728%
	Program Costs	-	10,000	(10,000)	-100%
463.00	Miscellaneous Operating Expenses	2,495	4,190	(1,695)	-40%
463.99	Contingency	-	156,401	(156,401)	-100%
	TOTAL OPERATING EXPENSES	\$ 40,109,125	\$ 33,282,344	\$ 6,826,781	21%
481.20	Interest Expense - Munis	-	-	-	0%
481.10	Interest on RCB loan	38,535	39,610	(1,075)	-3%
482.10	Interest Expense - SMUD	431	646	(215)	-33%
	NET INCOME	\$ (661,989)	\$ (1,793,288)	\$ 1,131,299	-63%