

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 6

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**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 – March 31, 2020 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending March 31, 2020

**DATE:** May 14, 2020

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### **RECOMMENDATION:**

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

### Financial Statements for the period March 1, 2020 – March 31, 2020

In the Statement of Net Position, VCEA as of March 31, 2020 has a total of \$12,237,321 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,165,419 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of March 31, 2020 \$118,890 and \$386,332 respectively for a grand total of \$505,222. 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 \$1,449,514 as of March 31, 2020, for a total of \$1,844,836. At March 31, 2020, VCE's net position is \$13,164,187.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,093,514 of revenue (net of allowance for doubtful accounts) of which \$3,108,575 was billed in March and (\$25,333) represent estimated unbilled revenue. The cost of the electricity for the March revenue totaled \$2,340,509. For March, VCEA's gross margin is approximately 32% and operating income totaled \$438,163. The year-to-date change in net position was \$5,835,354.

In the Statement of Cash Flows, VCEA cash flows from operations was negative (\$87,728) due to March cash receipts of revenues being lower than the monthly cash operating expenses.

#### Actual vs. Budget Variances for the year to date ending March 31, 2020

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

Salaries & Wages/Benefits - (\$165,698) and (36%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff for the majority of the fiscal year.

SMUD Credit Support - (\$70,074) and (16%) – variance is due to lower actual customer load than budgeted, which results in a lower payment to SMUD since the payment is based on MWH volume.

SMUD Operating Services - (\$109,390) and (41%) – variance is mainly due to SMUD not having yet billed for the IRP update included in the budget.

PG&E Acquisition Consulting - \$165,447 and 100% - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Marketing Collateral - \$75,038 and 44% - variance is due to major marketing campaigns in the first six months of the year being higher than originally anticipated in the budget; this variance is being actively managed and a reduction in the variance is expected by year-end

Contingency - (\$174,330) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$165,447 of PG&E acquisition-related expenses.

#### **Attachments:**

- 1) Financial Statements (Unaudited) March 1, 2020 to March 31, 2020 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending March 31, 2020



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2020**

**PREPARED ON APRIL 29, 2020**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
 March 31, 2020  
 (UNAUDITED)

**ASSETS**

Cash and cash equivalents	\$	12,237,321
Accounts receivable, net of allowance		3,200,390
Accrued revenue		1,729,113
Prepaid expenses		1,458
Inventory - Renewable Energy Credits		-
Other current assets and deposits		2,540
Total current assets		17,170,822
Restricted assets:		
Debt service reserve fund		1,100,000
Power purchase reserve fund		1,165,419
Total restricted assets		2,265,419
Noncurrent assets:		
Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>19,536,241</b>

**LIABILITIES**

Current liabilities:		
Accounts payable	\$	704,042
Accrued payroll		8,685
Interest payable		6,430
Due to member agencies		118,890
Accrued cost of electricity		2,494,884
Other accrued liabilities		631,904
Security deposits - energy supplies		515,640
User taxes and energy surcharges		46,743
Current Portion of LT Debt		395,322
Total current liabilities		4,922,540
Noncurrent liabilities		
Term Loan- RCB		1,449,514
Total noncurrent liabilities		1,449,514
<b>TOTAL LIABILITIES</b>	<b>\$</b>	<b>6,372,054</b>

**NET POSITION**

Restricted		
Local Programs Reserve		136,898
Restricted		2,265,419
Unrestricted		10,761,870
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>13,164,187</b>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF MARCH 1, 2020 TO MARCH 31, 2020**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<b>FOR THE PERIOD ENDING MARCH 31, 2020</b>	<b>YEAR TO DATE</b>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 3,093,514	\$ 40,472,380
<b>TOTAL OPERATING REVENUES</b>	<b>3,093,514</b>	<b>40,472,380</b>
<b>OPERATING EXPENSES</b>		
Cost of electricity	2,340,509	31,276,756
Contract services	177,770	2,243,845
Staff compensation	89,965	772,492
General, administration, and other	47,107	333,982
<b>TOTAL OPERATING EXPENSES</b>	<b>2,655,351</b>	<b>34,627,075</b>
<b>TOTAL OPERATING INCOME (LOSS)</b>	<b>438,163</b>	<b>5,845,305</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	10,154	70,997
Interest and related expenses	(6,422)	(80,948)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>3,732</b>	<b>(9,951)</b>
<b>CHANGE IN NET POSITION</b>	<b>441,895</b>	<b>5,835,354</b>
Net position at beginning of period	12,722,292	7,328,833
Net position at end of period	<b>\$ 13,164,187</b>	<b>\$ 13,164,187</b>

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

	<u>FOR THE PERIOD ENDING MARCH 31, 2020</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 3,131,581	\$ 44,823,158
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(2,766,958)	(33,785,360)
Payments for contract services, general, and administration	(365,602)	(3,205,536)
Payments for staff compensation	(86,749)	(767,596)
<b>Net cash provided (used) by operating activities</b>	<u>(87,728)</u>	<u>7,580,306</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies		(1,500,000)
Principal payments of Debt	(32,944)	(131,774)
Interest and related expenses	(6,151)	(186,830)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(39,095)</u>	<u>(1,818,604)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	10,154	70,997
<b>Net cash provided (used) by investing activities</b>	<u>10,154</u>	<u>70,997</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(116,669)	5,832,699
Cash and cash equivalents at beginning of period	14,619,409	8,670,041
<b>Cash and cash equivalents at end of period</b>	<u>\$ 14,502,740</u>	<u>\$ 14,502,740</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 12,237,321	\$ 12,237,321
Restricted assets	2,265,419	2,265,419
<b>Cash and cash equivalents at end of period</b>	<u>\$ 14,502,740</u>	<u>\$ 14,502,740</u>

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

	<u>FOR THE PERIOD ENDING MARCH 31, 2020</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 438,163	\$ 5,845,305
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	(421.00)	\$ 1,794,883
(Increase) decrease in accrued revenue	25,218	\$ 2,566,600
(Increase) decrease in prepaid expenses	9,497	\$ (1,458)
(Increase) decrease in inventory - renewable energy credits	-	\$ 207,168
Increase (decrease) in accounts payable	11,755	\$ 117,922
Increase (decrease) in accrued payroll	3,216	\$ 4,896
Increase (decrease) in due to member agencies	(92,000)	\$ (291,419)
Increase (decrease) in accrued cost of electricity	(426,449)	\$ (2,715,772)
Increase (decrease) in other accrued liabilities	(69,977)	\$ (452,754)
Increase (decrease) security deposits with energy suppliers	-	\$ 515,640
Increase (decrease) in user taxes and energy surcharges	13,270	\$ (10,705)
<b>Net cash provided (used) by operating activities</b>	<b>\$ (87,728)</b>	<b>\$ 7,580,306</b>

**VALLEY CLEAN ENERGY**  
**ACTUAL VS. BUDGET FYE 6-30-2020**  
**FOR THE YEAR TO DATE ENDING 03-31-20**

Description	3/31/2020	3/31/2020	YTD Variance	% over/under
	YTD FY2020 Actuals	YTD FY2020 Budget		
Electric Revenue	\$ 40,472,378	\$ 41,238,856	\$ (766,478)	-2%
Interest Revenues	70,996	94,717	(23,721)	-25%
Purchased Power	31,276,757	31,847,006	(570,250)	-2%
Labor & Benefits	772,493	886,290	(113,797)	-13%
Salaries & Wages/Benefits	293,015	458,713	(165,698)	-36%
Contract Labor	451,816	418,127	33,689	8%
Human Resources & Payroll	27,662	9,450	18,212	193%
Office Supplies & Other Expenses	100,762	95,924	4,838	5%
Technology Costs	8,963	6,948	2,015	29%
Office Supplies	3,965	926	3,039	328%
Travel	4,389	3,600	789	22%
CalCCA Dues	81,720	81,750	(30)	0%
Memberships	1,725	2,700	(975)	-36%
Contractual Services	2,243,793	2,239,586	4,208	0%
Don Dame	12,103	13,500	(1,398)	-10%
SMUD - Credit Support	379,006	449,080	(70,074)	-16%
SMUD - Wholesale Energy Services	423,108	423,108	-	0%
SMUD - Call Center	496,933	507,703	(10,771)	-2%
SMUD - Operating Services	158,610	268,000	(109,390)	-41%
Legal	79,376	126,000	(46,624)	-37%
Regulatory Counsel	129,078	138,960	(9,882)	-7%
Joint Regulatory	37,241	22,500	14,741	66%
Legislative	45,000	45,000	-	0%
Accounting Services	10,621	18,000	(7,379)	-41%
Audit Fees	63,000	58,500	4,500	8%
PG&E Acquisition Consulting	165,447	-	165,447	100%
Marketing Collateral	244,272	169,234	75,038	44%
Rents & Leases	13,038	13,170	(132)	-1%
Hunt Boyer Mansion	13,038	13,170	(132)	-1%
Other A&G	192,642	247,040	(54,398)	-22%
PG&E Data Fees	188,140	191,121	(2,981)	-2%
Community Engagement Activities & Sponsorships	326	4,500	(4,174)	-93%
Insurance	4,177	5,519	(1,342)	-24%
New Member Expenses	-	45,000	(45,000)	-100%
Banking Fees	-	900	(900)	-100%
Miscellaneous Operating Expenses	27,587	4,599	22,988	500%
Contingency	-	174,330	(174,330)	-100%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 34,627,072</b>	<b>\$ 35,507,946</b>	<b>\$ (880,874)</b>	<b>-2%</b>
Interest Expense - Munis	14,965	41,702	(26,738)	-64%
Interest on RCB loan	55,408	65,010	(9,602)	-15%
Interest Expense - SMUD	10,575	11,527	(952)	-8%
Miscellaneous Non-Operating	-	-	-	0%
<b>NET INCOME</b>	<b>\$ 5,835,354</b>	<b>\$ 5,707,388</b>	<b>\$ 127,966</b>	<b>2%</b>