

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 – March 31, 2021 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending March 31, 2021

DATE: May 13, 2021

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of March 1, 2021 to March 31, 2021 (with comparative year to date information) and Actual vs. Budget year to date ending March 31, 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 March 31, 2021.

Financial Statements for the period March 1, 2021 – March 31, 2021

In the Statement of Net Position, VCEA as of March 31, 2021 has a total of \$13,653,912 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 March 31, 2021 \$57,586. 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 \$1,054,195 as of March 31, 2021, for a total of \$1,449,517. On March 31, 2021, VCE's net position is \$15,383,772.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$3,077,453 of revenue (net of allowance for doubtful accounts) of which \$2,959,799 was billed in March and (\$1,452,158) represent estimated unbilled revenue. The cost of the electricity for the March revenue totaled \$3,261,036. For March, VCEA's gross margin is approximately (5.97%) and operating loss totaled (\$551,881). The year-to-date change in net position was (\$1,203,912).

In the Statement of Cash Flows, VCEA cash flows from operations was 424,899 due to March cash receipts of revenues being higher than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending March 31, 2021

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

- Electric Revenue - \$5,287,299 and 14% – 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.
- Interest Revenue – (\$55,000) and (57%) – variance is due to unfavorable year-to-date than planned due to the Federal Reserve reductions in interest rates resulting from COVID-19 to prevent long-term recessionary conditions.
- Purchased Power - \$4,070,126 and 11% – 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.
- Legal General Counsel – (\$86,057) and (78%) – favorable variance to budget due to services lower than planned from member agencies and no major cases requiring general counsel.
- New Member Expenses – (54,500) 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 – (\$173,970) 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) March 1, 2021 to March 31, 2021 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending March 31, 2021



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021

PREPARED ON APRIL 27, 2021

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MARCH 31, 2021
(UNAUDITED)

ASSETS

Current assets:	
Cash and cash equivalents	\$ 13,653,912
Accounts receivable, net of allowance	3,482,907
Accrued revenue	1,452,158
Prepaid expenses	1,875
Other current assets and deposits	6,883
Total current assets	<u>18,597,735</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	<u>100,000</u>
TOTAL ASSETS	<u><u>\$ 21,468,516</u></u>

LIABILITIES

Current liabilities:	
Accounts payable	\$ 446,124
Accrued payroll	32,731
Interest payable	3,357
Due to member agencies	57,586
Accrued cost of electricity	3,284,246
Other accrued liabilities	(1,489,258)
Security deposits - energy supplies	2,258,640
User taxes and energy surcharges	41,801
Current Portion of LT Debt	395,322
Total current liabilities	<u>5,030,549</u>
Noncurrent liabilities	
Term Loan- RCB	1,054,195
Total noncurrent liabilities	<u>1,054,195</u>
TOTAL LIABILITIES	<u><u>\$ 6,084,744</u></u>

NET POSITION

Restricted	
Local Programs Reserve	224,500
Restricted	2,770,781
Unrestricted	12,388,491
TOTAL NET POSITION	<u><u>\$ 15,383,772</u></u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MARCH 1, 2021 TO MARCH 31, 2021
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MARCH 31, 2021	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 3,077,453	\$ 42,524,354
TOTAL OPERATING REVENUES	<u>3,077,453</u>	<u>42,524,354</u>
OPERATING EXPENSES		
Cost of electricity	3,261,036	40,455,235
Contract services	243,122	2,012,513
Staff compensation	86,548	880,459
General, administration, and other	37,397	378,739
TOTAL OPERATING EXPENSES	<u>3,628,103</u>	<u>43,726,946</u>
TOTAL OPERATING INCOME (LOSS)	(550,650)	(1,202,592)
NONOPERATING REVENUES (EXPENSES)		
Interest income	2,885	42,086
Interest and related expenses	(4,116)	(43,406)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,231)</u>	<u>(1,320)</u>
CHANGE IN NET POSITION	(551,881)	(1,203,912)
Net position at beginning of period	15,935,653	16,587,684
Net position at end of period	<u>\$ 15,383,772</u>	<u>\$ 15,383,772</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING MARCH 31, 2021</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING		
Operating Income (Loss)	\$ (550,650)	\$ (1,202,592)
(Increase) decrease in net accounts receivable	668,792.00	2,477,304
(Increase) decrease in accrued revenue	10,743	1,521,037
(Increase) decrease in prepaid expenses	10,011	(1,250)
(Increase) decrease in inventory - renewable energy credi	-	-
(Increase) decrease in other assets and deposits	-	(4,343)
Increase (decrease) in accounts payable	(32,561)	(196,276)
Increase (decrease) in accrued payroll	2,655	20,927
Increase (decrease) in due to member agencies	21,773	(58,880)
Increase (decrease) in accrued cost of electricity	452,019	(1,307,181)
Increase (decrease) in other accrued liabilities	(163,114)	(2,065,702)
Increase (decrease)security deposits with energy supplier	-	1,743,000
Increase (decrease) in user taxes and energy surcharges	5,231	(18,470)
Net cash provided (used) by operating activities	<u>\$ 424,899</u>	<u>\$ 907,574</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MARCH 1 TO MARCH 31, 2021
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

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VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 03-31-2021

GL#	Description	3/31/2021	3/31/2021	YTD	%
		YTD	YTD		
		FY2021 Actuals	FY2021 Budget	Variance	over/-under
301.00	Electric Revenue	\$ 42,524,354	\$ 37,237,055	\$ 5,287,299	14%
311.00	Interest Revenues	42,086	97,085	(55,000)	-57%
415.00	Purchased Power	40,455,230	36,385,104	4,070,126	11%
	Labor & Benefits	857,126	854,257	2,869	0%
451.10	Salaries & Wages/Benefits	611,514	643,440	(31,926)	-5%
451.20	Contract Labor	161,095	114,507	46,588	41%
453.41	Human Resources & Payroll	84,516	96,309	(11,793)	-12%
	Office Supplies & Other Expenses	117,499	110,121	7,377	7%
452.10	Technology Costs	27,807	16,122	11,686	72%
452.15	Office Supplies	1,440	1,728	(288)	-17%
452.25	Travel	-	4,572	(4,572)	-100%
452.30	CalCCA Dues	86,347	86,350	(3)	0%
452.35	Memberships	1,905	1,350	555	41%
	Contractual Services	2,041,815	2,211,552	(169,737)	-8%
453.10	LEAN Energy	13,320	18,000	(4,680)	-26%
453.15	Don Dame	2,815	7,500	(4,685)	-62%
453.20	SMUD - Credit Support	453,013	428,725	24,288	6%
453.21	SMUD - Wholesale Energy Services	431,748	432,416	(668)	0%
453.22	SMUD - Call Center	565,470	561,807	3,663	1%
453.23	SMUD - Operating Services	131,679	170,455	(38,776)	-23%
	Legal PG&E Bankruptcy	-	18,450	(18,450)	-100%
	Legal General Counsel	24,643	110,700	(86,057)	-78%
453.36	Regulatory Counsel	158,708	142,434	16,274	11%
453.37	Joint CCA Regulatory counsel	16,305	23,063	(6,758)	-29%
453.38	Legislative Support	45,000	46,125	(1,125)	-2%
453.40	Accounting Services	17,245	18,450	(1,205)	-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	137,921	173,465	(35,544)	-20%
	Rents & Leases	12,172	13,141	(969)	-7%
457.10	Hunt Boyer Mansion	15,314	13,141	2,173	17%
	Other A&G	240,933	285,616	(44,683)	-16%
459.10	PG&E Data Fees	218,788	209,324	9,464	5%
459.15	Community Engagement Activities & Sponsorships	2,359	4,613	(2,254)	-49%
459.20	Insurance	4,796	5,657	(860)	-15%
459.08	New Member Expenses	-	54,500	(54,500)	-100%
459.70	Banking Fees	14,990	923	14,067	1525%
	Program Costs	-	10,600	(10,600)	-100%
463.00	Miscellaneous Operating Expenses	2,495	4,714	(2,219)	-47%
463.99	Contingency	-	173,970	(173,970)	-100%
	TOTAL OPERATING EXPENSES	\$ 43,727,269	\$ 40,038,475	\$ 3,688,795	9%
481.10	Interest on RCB loan	42,651	43,726	(1,075)	-2%
482.10	Interest Expense - SMUD	431	646	(215)	-33%
	NET INCOME	\$ (1,203,912)	\$ (2,748,706)	\$ 1,544,794	-56%