

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

DATE: July 8, 2021

RECOMMENDATION:

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

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

In the Statement of Net Position, VCEA as of May 31, 2021 has a total of \$11,277,797 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$1,998,726 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and owes as of May 31, 2021 \$101,533. 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 \$988,308 as of May 31, 2021 for a total of \$1,383,630. On May 31, 2021, VCE's net position is \$14,256,059.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$4,020,730 of revenue (net of allowance for doubtful accounts) of which \$3,026,313 was billed in May and (\$2,507,736) represent estimated unbilled revenue. The cost of the electricity for the May revenue totaled \$4,116,991. For May, VCEA's gross margin is approximately (11.64%), and operating loss totaled (\$469,437). The year-to-date change in net position was (\$2,331,625).

In the Statement of Cash Flows, VCEA cash flows from operations was (864,282) due to May cash receipts of revenues being lower than the monthly cash operating expenses.

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

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

- Electric Revenue - \$5,418,336 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.
- Interest Revenue – (\$74,944) and (61%) – 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 - \$4,830,795 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.
- SMUD - Operating Services– (\$118,567) and (46%) – favorable variance to budget due to services lower than planned related to TOU bill protection.
- Legal General Counsel – (\$103,996) and (77%) – favorable variance to budget due to services lower than planned from member agencies and no major cases requiring general counsel.
- New Member Expenses – (59,500) 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 – (\$213,471) 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) May 1, 2021 to May 31, 2021 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending May 31, 2021



VALLEY CLEAN ENERGY

VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2021

PREPARED ON JULY 1, 2021

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

ASSETS

Current assets:

Cash and cash equivalents	\$	11,277,797
Accounts receivable, net of allowance		4,110,697
Accrued revenue		2,507,737
Prepaid expenses		10,636
Other current assets and deposits		6,883
Total current assets		17,913,750

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		1,998,726
Total restricted assets		3,098,726

Noncurrent assets:

Other noncurrent assets and deposits		100,000
Total noncurrent assets		100,000
TOTAL ASSETS	\$	21,112,476

LIABILITIES

Current liabilities:

Accounts payable	\$	452,687
Accrued payroll		38,492
Interest payable		3,494
Due to member agencies		101,533
Accrued cost of electricity		4,103,735
Other accrued liabilities		(1,566,000)
Security deposits - energy supplies		2,295,640
User taxes and energy surcharges		43,206
Current Portion of LT Debt		395,322
Total current liabilities		5,868,109

Noncurrent liabilities

Term Loan- RCB		988,308
Total noncurrent liabilities		988,308
TOTAL LIABILITIES	\$	6,856,417

NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		3,098,726
Unrestricted		10,932,833
TOTAL NET POSITION	\$	14,256,059

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

	<u>FOR THE PERIOD ENDING MAY 31, 2021</u>	<u>YEAR TO DATE</u>
OPERATING REVENUE		
Electricity sales, net	\$ 4,020,730	\$ 49,336,178
TOTAL OPERATING REVENUES	<u>4,020,730</u>	<u>49,336,178</u>
OPERATING EXPENSES		
Cost of electricity	4,116,991	47,705,949
Contract services	219,794	2,415,648
Staff compensation	94,063	1,064,797
General, administration, and other	58,081	476,726
TOTAL OPERATING EXPENSES	<u>4,488,929</u>	<u>51,663,120</u>
TOTAL OPERATING INCOME (LOSS)	(468,199)	(2,326,942)
NONOPERATING REVENUES (EXPENSES)		
Interest income	3,016	47,531
Interest and related expenses	(4,254)	(52,214)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(1,238)</u>	<u>(4,683)</u>
CHANGE IN NET POSITION	(469,437)	(2,331,625)
Net position at beginning of period	14,725,496	16,587,684
Net position at end of period	<u>\$ 14,256,059</u>	<u>\$ 14,256,059</u>

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

	<u>FOR THE PERIOD ENDING MAY 31, 2021</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 2,573,094	\$ 51,634,085
Receipts for security deposits with energy suppliers	37,000	1,780,000
Payments to purchase electricity	(3,146,979)	(48,193,641)
Payments for contract services, general, and administration	(238,071)	(5,249,475)
Payments for staff compensation	(89,326)	(1,038,109)
Other cash payments	-	(4,343)
Net cash provided (used) by operating activities	<u>(864,282)</u>	<u>(1,071,483)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(32,944)	(362,376)
Interest and related expenses	(4,215)	(48,940)
Net cash provided (used) by non-capital financing activities	<u>(37,159)</u>	<u>(411,316)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	3,016	47,531
Net cash provided (used) by investing activities	<u>3,016</u>	<u>47,531</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(898,425)	(1,435,268)
Cash and cash equivalents at beginning of period	15,274,948	15,816,006
Cash and cash equivalents at end of period	<u>\$ 14,376,523</u>	<u>\$ 14,380,738</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	11,277,797	11,277,797
Restricted assets	3,098,726	3,098,726
Cash and cash equivalents at end of period	<u>\$ 14,376,523</u>	<u>\$ 14,376,523</u>

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

	<u>FOR THE PERIOD ENDING MAY 31, 2021</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (468,199)	\$ (2,326,942)
(Increase) decrease in net accounts receivable	(378,225.00)	1,849,514
(Increase) decrease in accrued revenue	(1,047,515)	465,458
(Increase) decrease in prepaid expenses	10,011	(10,011)
(Increase) decrease in inventory - renewable energy credits	-	-
(Increase) decrease in other assets and deposits	-	(4,343)
Increase (decrease) in accounts payable	13,711	(189,713)
Increase (decrease) in accrued payroll	4,737	26,688
Increase (decrease) in due to member agencies	21,874	(14,933)
Increase (decrease) in accrued cost of electricity	970,012	(487,692)
Increase (decrease) in other accrued liabilities	(5,792)	(2,142,444)
Increase (decrease) security deposits with energy suppliers	37,000	1,780,000
Increase (decrease) in user taxes and energy surcharges	(21,896)	(17,065)
Net cash provided (used) by operating activities	<u>\$ (864,282)</u>	<u>\$ (1,071,483)</u>

VALLEY CLEAN ENERGY
ACTUAL VS. BUDGET FYE 6-30-2021
FOR THE YEAR TO DATE ENDING 05-31-2021

GL#	Description	5/31/2021	5/31/2021	YTD Variance	% over/under
		YTD FY2021 Actuals	YTD FY2021 Budget		
301.00	Electric Revenue	\$ 49,336,178	\$ 43,917,841	\$ 5,418,336	12%
311.00	Interest Revenues	47,531	122,475	(74,944)	-61%
415.00	Purchased Power	47,705,944	42,875,149	4,830,795	11%
	Labor & Benefits	1,040,237	1,039,442	796	0%
451.10	Salaries & Wages/Benefits	765,405	795,143	(29,738)	-4%
451.20	Contract Labor	161,095	120,478	40,617	34%
453.41	Human Resources & Payroll	113,737	123,820	(10,083)	-8%
	Office Supplies & Other Expenses	144,421	134,593	9,828	7%
452.10	Technology Costs	34,648	19,704	14,943	76%
452.15	Office Supplies	1,862	2,112	(250)	-12%
452.25	Travel	-	5,588	(5,588)	-100%
452.30	CalCCA Dues	105,536	105,539	(3)	0%
452.35	Memberships	2,375	1,650	725	44%
	Contractual Services	2,444,949	2,736,259	(291,309)	-11%
453.10	LEAN Energy	15,545	22,000	(6,455)	-29%
453.15	Don Dame	4,201	9,167	(4,966)	-54%
453.20	SMUD - Credit Support	543,590	514,210	29,380	6%
453.21	SMUD - Wholesale Energy Services	527,692	528,509	(817)	0%
453.22	SMUD - Call Center	695,879	692,296	3,583	1%
453.23	SMUD - Operating Services	138,343	256,909	(118,567)	-46%
	Legal PG&E Bankruptcy	-	22,550	(22,550)	-100%
	Legal General Counsel	31,304	135,300	(103,996)	-77%
453.36	Regulatory Counsel	184,395	174,086	10,309	6%
453.37	Joint CCA Regulatory counsel	19,218	28,188	(8,969)	-32%
453.38	Legislative Support	55,000	56,375	(1,375)	-2%
453.40	Accounting Services	21,235	22,550	(1,315)	-6%
453.42	Audit Fees	43,100	59,963	(16,863)	-28%
453.60	PG&E Acquisition Consulting	849	-	849	100%
459.05	Marketing Outreach	164,600	214,157	(49,558)	-23%
	Rents & Leases	15,342	16,109	(767)	-5%
457.10	Hunt Boyer Mansion	18,484	16,109	2,375	15%
	Other A&G	307,213	337,253	(30,041)	-9%
459.10	PG&E Data Fees	284,442	252,275	32,168	13%
459.15	Community Engagement Activities & Sponsorships	2,359	5,638	(3,279)	-58%
459.20	Insurance	5,422	6,914	(1,492)	-22%
459.08	New Member Expenses	-	59,500	(59,500)	-100%
459.70	Banking Fees	14,990	1,128	13,862	1229%
	Program Costs	-	11,800	(11,800)	-100%
463.00	Miscellaneous Operating Expenses	5,338	5,762	(423)	-7%
463.99	Contingency	-	213,471	(213,471)	-100%
	TOTAL OPERATING EXPENSES	\$ 51,663,444	\$ 47,358,037	\$ 4,305,407	9%
481.10	Interest on RCB loan	51,459	52,396	(937)	-2%
482.10	Interest Expense - SMUD	431	646	(215)	-33%
	NET INCOME	\$ (2,331,625)	\$ (3,370,763)	\$ 1,039,138	-31%