

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 6**

TO: Board of Directors

FROM: Mitch Sears, Executive Director
Edward Burnham, Finance and Operations Director

SUBJECT: Financial Update – May 31, 2023 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2023

DATE: July 15, 2023

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of May 1, 2023 to May 31, 2023 (with comparative year to date information) and Actual vs. Budget year to date ending May 31, 2023.

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, 2023.

Financial Statements for the period May 1, 2023 – May 31, 2023

In the Statement of Net Position, VCE, as of May 31, 2023, has a total of \$4,759,144 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,800,000 restricted assets related to supplier deposits, and \$3,428,260 restricted assets for the Power Purchases Reserve account. VCE has incurred obligations from Member agencies and owes as of May 31, 2023 a total of \$7,385. VCE member obligations are incurred monthly due to staffing, accounting, and legal services.

The term loan with River City Bank includes a current portion of \$312,007 and long-term portion of 181,284. On May 31, 2022, VCE's net position is \$15,295,724.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCE recorded \$ 6,839,195 of revenue (net of allowance for doubtful accounts), of which \$6,666,069 was billed in May, and \$5,076,213 represent estimated unbilled revenue. The cost of electricity for the May revenue totaled \$5,454,972. For May, VCE's gross margin was approximate 20% and net income totaled \$607,584. The year-to-date change in net position was \$493,218.

In the Statement of Cash Flows, VCE cash flows from operations were \$974,249 due to May cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending May 31, 2023

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

- Electric Revenue – (\$4,828,307) and -13% – Unfavorable variance revenue model error on the timing of rate change isolated to January-2023 and retail load variance lower than forecasted due to mild winter and spring.
- Purchased Power – (\$2,243,400) and -8% – Unfavorable variance due to gas prices driving short-term power market increases.
- Wholesale Energy Services – (\$358,667) and 129% unfavorable variance related to the transition of services to TEA starting in Q123 budgeted for Q223.
- Credit Support Services (SMUD) – \$65,529 and 30% favorable variance related to lower retail load than forecasted due to mild winter and summer.
- Operational Support Services (SMUD) – (\$97,557) and 368% unfavorable variance related to Percentage of Income Payment Plan (PIPP) program implementation, bill presentment, and base green rate implementation.
- Strategic Plan Implementation – \$60,270 or 100% favorable variance due to timing difference.
- Contingency – (\$100,00) 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, 2023 to May 31, 2023 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending May 31, 2023



VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF MAY 1 TO MAY 31, 2023

PREPARED ON JULY 7, 2023

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
MAY 31, 2023
(UNAUDITED)

ASSETS

Current assets:

Cash in Yolo County Treasury		
Cash and cash equivalents	\$	4,759,144
Accounts receivable, net of allowance		9,609,435
Accrued revenue		5,076,213
Prepaid expenses		32,705
Other current assets and deposits		2,227,703
Total current assets		21,705,200

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		3,428,260
Total restricted assets		4,528,260

Noncurrent assets:

Total noncurrent assets		-
TOTAL ASSETS	\$	26,233,460

LIABILITIES

Current liabilities:

Accounts payable	\$	504,328
Accrued payroll		102,538
Interest payable		1,516
Due to member agencies		7,385
Accrued cost of electricity		6,325,427
Other accrued liabilities		1,079,330
Security deposits - energy supplies		1,800,000
User taxes and energy surcharges		16,337
Limited Term Loan		312,007
Total current liabilities		10,148,868

Noncurrent liabilities

Term Loan- RCB		181,284
Total noncurrent liabilities		181,284
TOTAL LIABILITIES	\$	10,330,152

NET POSITION

Net position:

Local Programs Reserve		224,500
Restricted		4,528,260
Unrestricted		11,150,548
TOTAL NET POSITION	\$	15,903,308

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF MAY 1, 2023 TO MAY 31, 2023
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	FOR THE PERIOD ENDING MAY 31, 2023	YEAR TO DATE
OPERATING REVENUE		
Electricity sales, net	\$ 6,839,195	\$ 32,039,693
Other revenue	3,375	\$ 627,844
TOTAL OPERATING REVENUES	6,842,570	\$ 32,667,537
OPERATING EXPENSES		
Cost of electricity	5,454,972	\$ 28,938,400
Contract services	200,703	\$ 1,641,485
Staff compensation	126,864	\$ 639,799
General, administration, and other	471,873	\$ 1,027,481
TOTAL OPERATING EXPENSES	6,254,412	\$ 32,247,165
TOTAL OPERATING INCOME (LOSS)	588,158	\$ 420,372
NONOPERATING REVENUES (EXPENSES)		
Interest income	20,942	\$ 81,037
Interest and related expenses	(1,516)	\$ (8,635)
TOTAL NONOPERATING REVENUES (EXPENSES)	19,426	\$ 72,402
CHANGE IN NET POSITION	607,584	\$ 492,774
Net position at beginning of period	15,295,724	\$ 15,410,534
Net position at end of period	\$ 15,903,308	\$ 15,903,308

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2023
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING MAY 31, 2023</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 6,148,720	\$ 31,409,297
Payments received from other revenue sources	3,375	627,844
Payments to purchase electricity	(4,238,750)	(27,221,998)
Payments for contract services, general, and administration	(1,250,231)	(2,727,265)
Payments for staff compensation	(116,569)	(653,546)
Net cash provided (used) by operating activities	<u>974,249</u>	<u>(365,668)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(44,067)	(37,677)
Interest and related expenses	(1,599)	(9,367)
Net cash provided (used) by non-capital financing activities	<u>(45,666)</u>	<u>(47,044)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of nondepreciable assets		
Acquisition of capital assets		
Net cash provided (used) by capital and related financing activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	20,942	81,037
Net cash provided (used) by investing activities	<u>20,942</u>	<u>81,037</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	949,525	1,627,521
Cash and cash equivalents at beginning of period	8,337,879	40,660,016
Cash and cash equivalents at end of period	<u>\$ 9,287,404</u>	<u>\$ 42,287,537</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	4,759,144	21,055,445
Restricted assets	4,528,260	21,232,092
Cash and cash equivalents at end of period	<u>\$ 9,287,404</u>	<u>\$ 42,287,537</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF MAY 1 TO MAY 31, 2023
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING MAY 31, 2023</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 588,158	\$ 420,372
(Increase) decrease in net accounts receivable	134,644.40	1,047,949
(Increase) decrease in accrued revenue	(787,303)	(1,645,816)
(Increase) decrease in prepaid expenses	15,342	(32,705)
Increase (decrease) in accounts payable	(157,833)	104,799
Increase (decrease) in accrued payroll	10,295	(13,747)
Increase (decrease) in due to member agencies	651	(199,059)
Increase (decrease) in accrued cost of electricity	1,216,222	1,716,402
Increase (decrease) in other accrued liabilities	(435,815)	68,666
Increase (decrease) in user taxes and energy surcharges	(37,816)	(32,529)
Net cash provided (used) by operating activities	<u><u>\$ 974,249</u></u>	<u><u>\$ 1,593,528</u></u>

VALLEY CLEAN ENERGY
2023 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 05/31/23

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 32,039,693	\$ 36,868,000	\$ (4,828,307)	-13%
Other Revenues - Programs	\$ 627,844	\$ 275,000	\$ 352,844	128%
Interest Revenues	\$ 81,037	\$ 17,500	\$ 63,537	363%
Purchased Power	\$ 28,938,400	\$ 26,695,000	\$ 2,243,400	8%
Purchased Power Base	\$ 28,938,400	\$ 25,423,000	\$ 3,515,400	14%
Purchased Power Contingency 2%	\$ -	\$ 1,272,000	\$ (1,272,000)	-100%
Labor & Benefits	\$ 625,094	\$ 601,000	\$ 24,094	4%
Salaries & Wages/Benefits	\$ 499,444	\$ 500,000	\$ (556)	0%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 12,500	\$ (12,500)	-100%
Human Resources & Payroll	\$ 125,650	\$ 88,500	\$ 37,150	42%
Office Supplies & Other Expenses	\$ 125,998	\$ 86,000	\$ 39,998	47%
Technology Costs	\$ 15,440	\$ 15,500	\$ (60)	0%
Office Supplies	\$ 6,131	\$ 1,000	\$ 5,131	513%
Travel	\$ 8,083	\$ 2,500	\$ 5,583	223%
CalCCA Dues	\$ 53,760	\$ 55,500	\$ (1,740)	-3%
CC Power	\$ 41,029	\$ 10,500	\$ 30,529	291%
Memberships	\$ 1,555	\$ 1,000	\$ 555	56%
Contractual Services	\$ 1,549,000	\$ 1,272,500	\$ 276,500	22%
Other Contract Services	\$ -	\$ 11,000	\$ (11,000)	-100%
Don Dame	\$ 1,897	\$ 4,500	\$ (2,603)	-58%
SMUD - Credit Support	\$ 150,071	\$ 215,600	\$ (65,529)	-30%
SMUD - Wholesale Energy Services	\$ 777,567	\$ 418,900	\$ 358,667	86%
SMUD - Call Center	\$ 343,619	\$ 346,000	\$ (2,381)	-1%
SMUD - Operating Services	\$ 124,057	\$ 26,500	\$ 97,557	368%
Commercial Legal Support	\$ 8,100	\$ 12,500	\$ (4,400)	-35%
Legal General Counsel	\$ 18,112	\$ 68,000	\$ (49,888)	-73%
Regulatory Counsel	\$ 46,653	\$ 87,500	\$ (40,848)	-47%
Joint CCA Regulatory counsel	\$ 7,525	\$ 14,000	\$ (6,475)	-46%
Legislative - (Lobbyist)	\$ 27,500	\$ 27,500	\$ -	0%
Accounting Services	\$ 7,939	\$ 12,000	\$ (4,061)	-34%
Financial Consultant	\$ -	\$ 17,500	\$ (17,500)	-100%
Audit Fees	\$ 35,960	\$ 11,000	\$ 24,960	227%
Marketing	\$ 129,960	\$ 110,000	\$ 19,960	18%
Marketing Collateral	\$ 125,281	\$ 105,000	\$ 20,281	19%
Community Engagement Activities & Sponsorships	\$ 4,679	\$ 5,000	\$ (321)	-6%
Programs	\$ 688,523	\$ 347,500	\$ 341,023	98%
Program Costs	\$ -	\$ -	\$ -	100%
Programs - EV	\$ 62,123	\$ 63,000	\$ (877)	-1%
Programs - AgFIT	\$ 617,428	\$ 275,000	\$ 342,428	125%
Programs - Heat Pump	\$ 8,972	\$ 9,500	\$ (528)	-6%
Rents & Leases	\$ 4,938	\$ 11,000	\$ (6,062)	-55%
Hunt Boyer Mansion	\$ 4,938	\$ 11,000	\$ (6,062)	-55%
Other A&G	\$ 184,680	\$ 262,650	\$ (77,970)	-30%
Development - New Members	\$ -	\$ 10,500	\$ (10,500)	-100%
Strategic Plan Implementation	\$ (270)	\$ 60,000	\$ (60,270)	-100%
PG&E Data Fees	\$ 87,507	\$ 115,000	\$ (27,493)	-24%
Insurance	\$ 14,700	\$ 4,750	\$ 9,950	209%
Banking Fees	\$ 82,743	\$ 72,400	\$ 10,343	14%
Miscellaneous Operating Expenses	\$ 127	\$ 3,000	\$ (2,873)	-96%
Contingency	\$ -	\$ 100,000	\$ (100,000)	-100%
TOTAL OPERATING EXPENSES	\$ 32,246,720	\$ 29,488,650	\$ 2,758,070	9%
Interest on RCB loan	\$ 8,635	\$ 9,400	\$ (765)	-8%
Interest Expense - Bridge Loan	\$ -	\$ 15,000	\$ (15,000)	-100%
NET INCOME	\$ 493,218	\$ 7,647,450	\$ (7,507,076)	-98%