

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 7

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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 – October 31, 2019 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2019

**DATE:** December 12, 2019

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### **RECOMMENDATION:**

Accept the following Financial Statements (unaudited) for the period of October 1, 2019 to October 31, 2019 (with comparative year to date information) and Actual vs. Budget year to date ending October 31, 2019.

### **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 October 31, 2019.

### Financial Statements for the period October 1, 2019 – October 31, 2019

In the Statement of Net Position, VCEA as of October 31, 2019 has a total of \$10,625,692 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account and \$898,763 restricted assets for the Power Purchases Reserve account. VCEA has incurred obligations from Member agencies and SMUD and owes as of October 31, 2019 \$363,500 and \$832,200 respectively for a grand total of \$1,195,700. VCEA began paying SMUD for the monthly operating expenditures (starting with November 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 outstanding line of credit balance with River City Bank of \$1,976,610 was converted to a term loan and has been reflected as such on the balance sheet, including a current portion of \$362,378 and a long-term portion of \$1,614,232 as of October 31, 2019. At October 31, 2019, VCE's net position is \$13,392,415.

In the Statement of Revenues, Expenditures and Changes in Net Position, VCEA recorded \$5,695,122 of revenue (net of allowance for doubtful accounts) of which \$6,010,705 was billed in October and (\$238,405) represent estimated unbilled revenue. The cost of the electricity for the October revenue totaled \$2,833,359. For October, VCEA's gross margin is approximately 50.25% and operating income totaled \$2,420,252. The year-to-date change in net position was \$6,063,582.

In the Statement of Cash Flows, VCEA cash flows from operations was \$4,796,382 due to October cash receipts of revenues exceeding the monthly operating expenses. This cash inflow was primarily a catch-up for September under-collections resulting from a significant rebill effort.

#### Actual vs. Budget Variances for the year to date ending October 31, 2019

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

Salaries & Wages/Benefits - (\$85,661) and (42%) – variance is due to having more budgeted filled positions at VCE than we actually have on staff.

SMUD Operating Services - (\$113,872) and (86%) – variance is mainly due to SMUD not having billed for the IRP update and NEM roll-in analysis included in the budget.

PG&E Acquisition Consulting - (\$86,267) and (100%) - variance is due to PG&E asset acquisition expenses not having been applicable at the time the budget was constructed.

Contingency - (\$81,197) and (100%) - variance is due to VCE not having required usage of contingency funds to date; this is offset by \$86,267 of PG&E acquisition-related expenses.

#### **Attachments:**

- 1) Financial Statements (Unaudited) October 1, 2019 to October 31, 2019 (with comparative year to date information.)
- 2) Actual vs. Budget for year to date ending October 31, 2019



# **VALLEY CLEAN ENERGY**

**VALLEY CLEAN ENERGY ALLIANCE**

**FINANCIAL STATEMENTS**

**(UNAUDITED)**

**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2019**

**PREPARED ON DECEMBER 5, 2019**

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF NET POSITION**  
OCTOBER 31, 2019  
(UNAUDITED)

	OCTOBER 31, 2019
<b>ASSETS</b>	
Cash and cash equivalents	\$ 10,625,692
Accounts receivable, net of allowance	5,731,993
Accrued revenue	2,830,079
Prepaid expenses	21,493
Inventory - Renewable Energy Credits	153,686
Other current assets and deposits	2,540
Total current assets	<u>19,365,483</u>
Restricted assets:	
Debt service reserve fund	1,100,000
Power purchase reserve fund	898,763
Total restricted assets	<u>1,998,763</u>
Noncurrent assets:	
Other noncurrent assets and deposits	100,000
Total noncurrent assets	<u>100,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 21,464,246</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 829,380
Accrued payroll	3,693
Interest payable	7,752
Due to member agencies	363,500
Accrued cost of electricity	3,268,815
Other accrued liabilities	1,080,292
Security deposits - energy supplies	515,640
User taxes and energy surcharges	26,149
Current Portion of LT Debt	362,378
Line of credit	-
Total current liabilities	<u>6,457,599</u>
Noncurrent liabilities	
Term Loan- RCB	1,614,232
Loans from member agencies	-
Total noncurrent liabilities	<u>1,614,232</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 8,071,831</u></u>
<b>NET POSITION</b>	
Restricted	
Local Programs Reserve	\$ 133,924
Unrestricted	13,258,491
<b>TOTAL NET POSITION</b>	<u><u>\$ 13,392,415</u></u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN NET POSITION**  
**FOR THE PERIOD OF OCTOBER 1, 2019 TO OCTOBER 31, 2019**  
**(WITH COMPARATIVE YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE</u> <u>PERIOD ENDING</u> <u>OCTOBER 31, 2019</u>	<u>YEAR TO DATE</u>
<b>OPERATING REVENUE</b>		
Electricity sales, net	\$ 5,695,122	\$ 24,794,568
<b>TOTAL OPERATING REVENUES</b>	<u>5,695,122</u>	<u>24,794,568</u>
<b>OPERATING EXPENSES</b>		
Cost of electricity	2,833,359	17,175,334
Contract services	312,486	1,066,919
Staff compensation	94,620	337,355
General, administration, and other	34,405	131,442
<b>TOTAL OPERATING EXPENSES</b>	<u>3,274,870</u>	<u>18,711,050</u>
<b>TOTAL OPERATING INCOME (LOSS)</b>	2,420,252	6,083,518
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest income	7,061	24,455
Interest and related expenses	(6,087)	(44,391)
<b>TOTAL NONOPERATING REVENUES</b> <b>(EXPENSES)</b>	<u>974</u>	<u>(19,936)</u>
<b>CHANGE IN NET POSITION</b>		
Net position at beginning of period	10,971,189	7,328,833
Net position at end of period	<u>\$ 13,392,415</u>	<u>\$ 13,392,415</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2019**  
**(WITH YEAR TO DATE INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING OCTOBER 31, 2019</u>	<u>YEAR TO DATE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from electricity sales	\$ 9,129,307	\$ 25,492,183
Receipts for security deposits with energy suppliers	-	515,640
Payments to purchase electricity	(3,839,903)	(19,063,693)
Payments for contract services, general, and administration	(398,600)	(1,027,769)
Payments for staff compensation	(94,422)	(337,451)
<b>Net cash provided (used) by operating activities</b>	<u>4,796,382</u>	<u>5,578,910</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Loans from member agencies	(1,500,000)	(1,500,000)
Interest and related expenses	(122,198)	(148,951)
<b>Net cash provided (used) by non-capital financing activities</b>	<u>(1,622,198)</u>	<u>(1,648,951)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	7,061	24,455
<b>Net cash provided (used) by investing activities</b>	<u>7,061</u>	<u>24,455</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,181,245	3,954,414
Cash and cash equivalents at beginning of period	9,443,210	8,670,041
<b>Cash and cash equivalents at end of period</b>	<u>\$ 12,624,455</u>	<u>\$ 12,624,455</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	\$ 10,625,692	\$ 10,625,692
Restricted assets	1,998,763	1,998,763
<b>Cash and cash equivalents at end of period</b>	<u>\$ 12,624,455</u>	<u>\$ 12,624,455</u>

**VALLEY CLEAN ENERGY ALLIANCE**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD OF OCTOBER 1 TO OCTOBER 31, 2019**  
**(WITH COMPARATIVE PRIOR PERIOD INFORMATION)**  
**(UNAUDITED)**

	<u>FOR THE PERIOD ENDING OCTOBER 31, 2019</u>	<u>YEAR TO DATE</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$ 2,420,252	\$ 6,083,518
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase) decrease in net accounts receivable	3,242,498.00	(736,720.00)
(Increase) decrease in accrued revenue	238,936	1,465,634.00
(Increase) decrease in prepaid expenses	(17,743)	(21,493.00)
(Increase) decrease in inventory - renewable energy credits	76,865	53,482.00
Increase (decrease) in accounts payable	26,415	243,260.00
Increase (decrease) in accrued payroll	198	(96.00)
Increase (decrease) in due to member agencies	(13,930)	(46,809.00)
Increase (decrease) in accrued cost of electricity	(1,083,409)	(1,941,841.00)
Increase (decrease) in other accrued liabilities	(46,451)	(4,366.00)
Increase (decrease) security deposits with energy suppliers	-	515,640
Increase (decrease) in user taxes and energy surcharges	(47,249)	(31,299)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 4,796,382</u>	<u>\$ 5,578,910</u>