

VALLEY CLEAN ENERGY ALLIANCE**Staff Report – Item 7**

TO: Board of Directors

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

SUBJECT: Financial Update – November 30, 2022 (unaudited) financial statements (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2022

DATE: January 19, 2023

RECOMMENDATION:

Accept the following Financial Statements (unaudited) for the period of November 1, 2022 to November 30, 2022 (with comparative year to date information) and Actual vs. Budget year to date ending November 30, 2022.

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 November 30, 2022.

Financial Statements for the period November 1, 2022 – November 30, 2022

In the Statement of Net Position, VCEA, as of November 30, 2022, has a total of \$2,970,725 in its checking, money market and lockbox accounts, \$1,100,000 restricted assets for the Debt Service Reserve account, \$1,998,276 restricted assets related to supplier deposits, and \$2,704,794 restricted assets for the Power Purchases Reserve account.

The term loan with River City Bank includes a current portion of \$755,672. The line of credit with the County of Yolo has an outstanding balance of \$2,000,000. On November 30, 2022, VCE's net position is \$14,151,088.

In the Statement of Revenues, Expenditures, and Changes in Net Position, VCEA recorded \$5,836,607 of revenue (net of allowance for doubtful accounts), of which \$5,894,360 was billed in November, and \$4,232,606 represent estimated unbilled revenue. The cost of electricity for the November revenue amount totaled \$4,370,125. For November, VCEA's gross margin was approximately 25% and net income totaled \$1,098,721. The year-to-date change in net position was \$5,515,561.

In the Statement of Cash Flows, VCEA cash flows from operations were \$4,520,296 due to November cash receipts of revenues being more than the monthly cash operating expenses.

Actual vs. Budget Variances for the year to date ending November 30, 2022

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

- Electric Revenue – (\$3,985,898) and -5% – Unfavorable variance due to The 2022 Budget incorporated revenues associated with extreme temperatures and drought conditions. These revenues have not fully materialized in the actuals for 2022.
- Purchased Power – (\$7,774,272) and -13% – Unfavorable variance due to warmer weather than forecast during the winter months, heat storms in June and November, and gas prices driving short-term power market increases.
- Marketing Collateral – 66,271 and -30% – favorable variance related to the delay of engagement activities related normalization post COVID-19.
- Contingency – (\$220,000) 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) November 1, 2022 to November 30, 2022 (with comparative year to date information.)
- 2) Actual vs. Budget for the year to date ending November 30, 2022



VALLEY CLEAN ENERGY ALLIANCE

FINANCIAL STATEMENTS

(UNAUDITED)

FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2022

PREPARED ON JANUARY 11, 2023

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF NET POSITION
NOVEMBER 30, 2022
(UNAUDITED)

November 30, 2022

ASSETS

Current assets:

Cash and cash equivalents	\$	2,970,725
Accounts receivable, net of allowance		11,421,932
Accrued revenue		4,232,606
Prepaid expenses		32,082
Other current assets and deposits		2,139,195
Total current assets		20,796,540

Restricted assets:

Debt service reserve fund		1,100,000
Power purchase reserve fund		2,704,794
Total restricted assets		3,804,794

TOTAL ASSETS	\$	24,601,334
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LIABILITIES

Current liabilities:

Accounts payable	\$	570,264
Accrued payroll		90,920
Interest payable		4,193
Due to member agencies		(28)
Accrued cost of electricity		2,880,824
Other accrued liabilities		1,025,621
Security deposits - energy supplies		1,980,000
User taxes and energy surcharges		44,058
Limited Term Loan		755,672
Loan - County of Yolo		2,000,000
Total current liabilities		9,351,524

Total noncurrent liabilities		-
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TOTAL LIABILITIES	\$	9,351,524
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NET POSITION

Restricted		
Local Programs Reserve		224,500
Restricted		3,804,794
Unrestricted		11,220,515
TOTAL NET POSITION	\$	15,249,809

VALLEY CLEAN ENERGY ALLIANCE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION
FOR THE PERIOD OF NOVEMBER 1, 2022 TO NOVEMBER 30, 2022
(WITH COMPARATIVE YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2022</u>	<u>YEAR TO DATE</u>
OPERATING REVENUE		
Electricity sales, net	\$ 5,836,607	\$ 79,617,401
Other revenue	691	1,158,974
TOTAL OPERATING REVENUES	<u>5,837,298</u>	<u>80,776,375</u>
OPERATING EXPENSES		
Cost of electricity	4,370,125	69,820,972
Contract services	239,417	2,486,387
Staff compensation	109,723	1,162,221
General, administration, and other	25,335	1,790,400
TOTAL OPERATING EXPENSES	<u>4,744,600</u>	<u>75,259,980</u>
TOTAL OPERATING INCOME (LOSS)	1,092,697	5,516,395
NONOPERATING REVENUES (EXPENSES)		
Interest income	8,431	35,250
Interest and related expenses	(2,407)	(36,084)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>6,024</u>	<u>(834)</u>
CHANGE IN NET POSITION	1,098,721	5,515,561
Net position at beginning of period	14,151,088	9,734,249
Net position at end of period	<u>\$ 15,249,809</u>	<u>\$ 15,249,810</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2022</u>	<u>YEAR TO DATE</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from electricity sales	\$ 8,717,199	\$ 64,247,297
Payments received from other revenue sources	691	1,158,283
Payments to purchase electricity	(4,839,880)	(67,348,242)
Payments for contract services, general, and administration	733,167	(3,493,881)
Payments for staff compensation	(90,881)	(1,044,329)
Net cash provided (used) by operating activities	<u>4,520,296</u>	<u>(6,480,872)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal payments of Debt	(1,043,210)	2,645,856
Interest and related expenses	(2,456)	(32,221)
Net cash provided (used) by non-capital financing activities	<u>(1,045,666)</u>	<u>2,613,635</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	8,431	26,819
Net cash provided (used) by investing activities	<u>8,431</u>	<u>26,819</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	3,483,061	(3,981,337)
Cash and cash equivalents at beginning of period	3,292,458	5,882,555
Cash and cash equivalents at end of period	<u>\$ 6,775,519</u>	<u>\$ 6,088,653</u>
Cash and cash equivalents included in:		
Cash and cash equivalents	2,970,725	2,970,725
Restricted assets	3,804,794	3,804,794
Cash and cash equivalents at end of period	<u>\$ 6,775,519</u>	<u>\$ 6,775,519</u>

VALLEY CLEAN ENERGY ALLIANCE
STATEMENTS OF CASH FLOWS
FOR THE PERIOD OF NOVEMBER 1 TO NOVEMBER 30, 2022
(WITH YEAR TO DATE INFORMATION)
(UNAUDITED)

	<u>FOR THE PERIOD ENDING NOVEMBER 30, 2022</u>	<u>YEAR TO DATE</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 1,092,697	\$ 4,423,697
(Increase) decrease in net accounts receivable	3,339,315.94	(4,114,087.47)
(Increase) decrease in accrued revenue	(400,270)	(2,464,412.74)
(Increase) decrease in prepaid expenses	9,317	853,148.00
Increase (decrease) in accounts payable	31,399	125,522.43
Increase (decrease) in accrued payroll	18,842	27,011.00
Increase (decrease) in due to member agencies	(868)	(117,973.00)
Increase (decrease) in accrued cost of electricity	(469,755)	(2,451,345.00)
Increase (decrease) in other accrued liabilities	958,071	739,870.78
Increase (decrease) in user taxes and energy surcharges	(58,454)	(74,704.90)
Net cash provided (used) by operating activities	<u>\$ 4,520,296</u>	<u>\$ 2,322,202</u>

VALLEY CLEAN ENERGY
2022 YTD ACTUAL VS. BUDGET
FOR THE YEAR TO DATE ENDING 11/30/22

Description	YTD Actuals	YTD Budget	YTD Variance	% over/-under
Electric Revenue	\$ 79,617,402	\$ 83,603,300	\$ (3,985,898)	-5%
Other Revenues - Programs	\$ 1,158,974	\$ -	\$ 1,158,974	100%
Interest Revenues	\$ 35,575	\$ 16,500	\$ 19,075	116%
Purchased Power	\$ 69,820,972	\$ 62,046,700	\$ (7,774,272)	-13%
Purchased Power Base	\$ 69,820,972	\$ 60,974,800	\$ (8,846,172)	-15%
Purchased Power Contingency 2%	\$ -	\$ 1,071,900	\$ 1,071,900	100%
Labor & Benefits	\$ 1,162,221	\$ 1,192,900	\$ 30,679	3%
Salaries & Wages/Benefits	\$ 966,538	\$ 998,800	\$ 32,262	3%
Contract Labor (SMUD Staff Aug)	\$ -	\$ 37,900	\$ 37,900	100%
Human Resources & Payroll	\$ 195,683	\$ 156,200	\$ (39,483)	-25%
Office Supplies & Other Expenses	\$ 200,638	\$ 185,000	\$ (15,638)	-8%
Technology Costs	\$ 56,468	\$ 36,500	\$ (19,968)	-55%
Office Supplies	\$ 9,682	\$ 2,200	\$ (7,482)	-340%
Travel	\$ 2,183	\$ 5,500	\$ 3,317	60%
CalCCA Dues	\$ 104,415	\$ 116,600	\$ 12,185	10%
CC Power	\$ 26,891	\$ 22,000	\$ (4,891)	-22%
Memberships	\$ 1,000	\$ 2,200	\$ 1,200	55%
Contractual Services	\$ 2,289,243	\$ 2,420,200	\$ 130,957	5%
Other Contract Services	\$ -	\$ 23,100	\$ 23,100	100%
Don Dame	\$ 9,097	\$ 9,300	\$ 203	2%
SMUD - Credit Support	\$ 495,806	\$ 524,700	\$ 28,894	6%
SMUD - Wholesale Energy Services	\$ 551,982	\$ 543,300	\$ (8,682)	-2%
SMUD - Call Center	\$ 737,853	\$ 731,700	\$ (6,153)	-1%
SMUD - Operating Services	\$ 69,647	\$ 55,500	\$ (14,147)	-25%
Commercial Legal Support	\$ 7,848	\$ -	\$ (7,848)	100%
Legal General Counsel	\$ 99,730	\$ 141,900	\$ 42,170	30%
Regulatory Counsel	\$ 178,279	\$ 182,600	\$ 4,321	2%
Joint CCA Regulatory counsel	\$ 30,581	\$ 29,700	\$ (881)	-3%
Legislative - (Lobbyist)	\$ 55,000	\$ 55,500	\$ 500	1%
Accounting Services	\$ 8,053	\$ 24,200	\$ 16,147	67%
Financial Consultant	\$ -	\$ 23,100	\$ 23,100	100%
Audit Fees	\$ 45,368	\$ 75,600	\$ 30,232	40%
Marketing	\$ 153,929	\$ 225,500	\$ 71,571	32%
Marketing Collateral	\$ 153,729	\$ 220,000	\$ 66,271	30%
Community Engagement Activities & Sponsorships	\$ 200	\$ 5,500	\$ 5,300	96%
Programs	\$ 1,215,492	\$ 159,500	\$ (1,055,992)	-662%
Program Costs	\$ 124,727	\$ 159,500	\$ 34,773	22%
Programs - AgFIT	\$ 1,090,765	\$ -	\$ (1,090,765)	100%
Rents & Leases	\$ 17,600	\$ 19,800	\$ 2,200	11%
Hunt Boyer Mansion	\$ 17,600	\$ 19,800	\$ 2,200	11%
Other A&G	\$ 400,034	\$ 336,900	\$ (63,134)	-19%
Development - New Members	\$ -	\$ 23,100	\$ 23,100	100%
Strategic Plan Implementation	\$ 5,684	\$ 44,600	\$ 38,916	87%
PG&E Data Fees	\$ 238,509	\$ 253,000	\$ 14,491	6%
Insurance	\$ 12,249	\$ 7,700	\$ (4,549)	-59%
Banking Fees	\$ 143,592	\$ 8,500	\$ (135,092)	-1589%
Miscellaneous Operating Expenses	\$ 176	\$ 600	\$ 424	71%
Contingency	\$ -	\$ 20,000	\$ 20,000	100%
TOTAL OPERATING EXPENSES	\$ 75,260,306	\$ 66,607,100	\$ (8,653,206)	-13%
Interest on RCB loan	\$ 33,588	\$ 31,300	\$ 2,288	7%
Interest Expense - Bridge Loan	\$ 2,496	\$ 70,800	\$ (68,304)	-96%
NET INCOME	\$ 5,515,561	\$ 16,910,600	\$ (11,395,039)	-67%