

**Joint Powers Agency  
Service Review  
for the**

**Valley Clean Energy Alliance  
LAFCo No. 21-02**



Public Review Draft March 31, 2021



Joint Powers Agency Service Review for the Valley Clean Energy Alliance (LAFCo No. 21-02)

**SUBJECT AGENCY:**

Valley Clean Energy Alliance  
604 2<sup>nd</sup> Street  
Davis, CA 95616  
(530) 446-2750  
[www.valleycleanenergy.org](http://www.valleycleanenergy.org)

Date last JPA Service Review adopted: N/A

Board Members:

Dan Carson, City of Davis, 2021 Chair  
Wade Cowan, City of Winters  
Lucas Frerichs, City of Davis  
Jesse Loren, City of Winters, 2021 Vice Chair  
Gary Sandy, Yolo County Supervisor  
Don Saylor, Yolo County Supervisor  
Tom Stallard, City of Woodland  
Mayra Vega, City of Woodland  
Angel Barajas, Yolo County Supervisor (Alternate)  
Gloria Partida, City of Davis (Alternate)

Staff Contact(s):

Mitch Sears, Interim General Manager

**CONDUCTED BY:**

Yolo Local Agency Formation Commission  
625 Court Street, Suite 107  
Woodland, CA 95695  
(530) 666-8048  
[www.yololafco.org](http://www.yololafco.org)

Commissioners:

Olin Woods, Chair, Public Member  
Don Saylor, Vice Chair, County Member  
Norma Alcala, City Member  
Tom Stallard, City Member  
Gary Sandy, County Member

Commission Alternates:

Richard DeLiberty, Public Member  
Angel Barajas, County Member  
Wade Cowan, City Member

Staff:

Christine Crawford, Executive Officer  
Terri Tuck, Admin Specialist/Commission Clerk  
Mark Krummenacker, Financial Analyst  
Eric May, Counsel

**Contents**

BACKGROUND .....2  
    ROLE AND RESPONSIBILITY OF LAFCO .....2  
    PURPOSE OF A JPA SERVICE REVIEW .....2  
    MEMBER AGENCIES .....3  
AGENCY PROFILE .....4  
JPA SERVICE REVIEW .....6  
POTENTIALLY SIGNIFICANT DETERMINATIONS .....6  
LAFCO JPA SERVICE REVIEW: .....6  
    1. GROWTH AND POPULATION .....6  
    2. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES .....7  
    4. FINANCIAL ABILITY .....8  
    5. SHARED SERVICES AND FACILITIES .....12  
    6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES .....13  
    7. OTHER ISSUES .....15

**BACKGROUND**

**ROLE AND RESPONSIBILITY OF LAFCo**

The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as amended (“CKH Act”) (California Government Code §§56000 et seq.), is LAFCo’s governing law and outlines the requirements for preparing Municipal Service Reviews (MSRs) for periodic Sphere of Influence (SOI) updates. MSRs and SOIs are tools created to empower LAFCo to satisfy its legislative charge of “discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances (§56301). CKH Act Section 56301 further establishes that “one of the objects of the commission is to make studies and to obtain and furnish information which will contribute to the logical and reasonable development of local agencies in each county and to shape the development of local agencies so as to advantageously provide for the present and future needs of each county and its communities.”

Based on that legislative charge, LAFCo serves as an arm of the State; preparing and reviewing studies and analyzing independent data to make informed, quasi-legislative decisions that guide the physical and economic development of the state (including agricultural uses) and the efficient, cost-effective, and reliable delivery of services to residents, landowners, and businesses. While SOIs are required to be updated every five years, they are not time-bound as planning tools by the statute, but are meant to address the “probable physical boundaries and service area of a local agency” (§56076). SOIs therefore guide both the near-term and long-term physical and economic development of local agencies, and MSRs provide the near-term and long-term time-relevant data to inform LAFCo’s SOI determinations.

**PURPOSE OF A JPA SERVICE REVIEW**

LAFCo has broad discretion in conducting informational studies, including geographic focus, scope of study, and the identification of alternatives for improving the efficiency, cost-effectiveness, accountability, and reliability of public services. In 2017, the cities and the County requested LAFCo apply its MSR process to some of the local joint power authorities/agencies (JPAs) in order to provide additional oversight<sup>1</sup>. The intent of the JPA Services Review is to provide a comprehensive inventory and analysis of the services provided by local JPAs, service areas, and evaluation of the finances, structure and operation of the local agency and discuss possible areas for improvement and coordination. From the state required MSR determinations, the following determinations remain relevant to the comprehensive inventory and analysis of local JPAs:

1. Growth and population projections for the service area;
2. Present and planned capacity of any public facilities, adequacy of services, and infrastructure needs or deficiencies;
3. Financial ability of agencies to provide services;
4. Status of, and opportunities for, shared services and facilities; and
5. Accountability for community service needs, including governmental structure and operational efficiencies.

The JPA Service Review is organized according to these determinations listed above. Information regarding each of the above issue areas is provided in this document. This report has been organized in a checklist format to focus the information and discussion on key issues that may be particularly relevant to the subject agency.

---

<sup>1</sup> Yolo Local Government Transparency and Accountability Program adopted by the cities and County Oct/Nov 2017

**MEMBER AGENCIES**

Notice will be provided at least 21 days in advance to each JPA member agency and to any interested party who has filed a written request for notice with the Executive Officer. The member agencies for the subject JPA are:

**County/Cities:**

- City of Davis
- City of West Sacramento
- City of Winters
- City of Woodland
- County of Yolo

**K-12 School Districts:**

- Davis Joint Unified
- Esparto Unified
- Pierce Joint Unified
- River Delta Unified
- Washington Unified
- Winters Joint Unified
- Woodland Joint Unified

**Community College Districts:**

- Delta
- Los Rios
- Solano
- Yuba

**Special Districts:**

- Cemetery District – Capay, Cottonwood, Davis, Knight’s Landing, Mary’s, Winters
- Community Service District – Cacheville, Esparto, Knights Landing, Madison
- County Service Area - Dunnigan, El Macero, Garcia Bend, North Davis Meadows, Snowball, Wild Wings, Willowbank
- Fire Protection District – Capay, Clarksburg, Dunnigan, East Davis, Elkhorn, Esparto, Knights Landing, Madison, No Man’s Land, Springlake, West Plainfield, Willow Oak, Winters, Yolo, Zamora
- Sacramento-Yolo Port District
- Reclamation District – 150, 307, 537, 730, 765, 787, 900, 999, 1600, 2035
- Yolo Resource Conservation District
- Water District – Dunnigan, Knight’s Landing Ridge Drainage, Yolo County Flood Control & Water Conservation

**Multi-County Districts:**

- Dixon Resource Conservation District
- Reclamation District – 108 (Colusa), 2068 (Solano), 2093 (Solano)
- Water District – Colusa Basin Drainage
- Sacramento-Yolo Mosquito and Vector Control District

**AGENCY PROFILE**

Valley Clean Energy Alliance, known as “Valley Clean Energy” (VCE), was created in January 2017 as a California Joint Powers Authority (JPA) pursuant to the Joint Exercise of Powers Act and is a public agency separate from its members. VCE provides electric service to retail customers as a Community Choice Aggregation/Energy Program (CCA/CCE) under the California Public Utilities Code Section 366.2. The formation of VCE was made possible by the passage of California Assembly Bill 117 in 2002, enabling communities to purchase power on behalf of their residents and businesses, and creating competition in power generation.

VCE is the official electricity provider for customers in the cities of Davis, Winters, Woodland, and unincorporated Yolo County (collectively; member agencies) and in June 2018 VCE began providing service to approximately 56,000 customer accounts as part of its initial enrollment phase. In January 2020, VCE started phasing in approximately 7,000 Net Energy Metering (NEM) customers through 2020. In January 2021, VCE began phasing in approximately 2,900 customers from its new Winters jurisdiction.

VCE has the rights and powers to set rates and charges for electricity services, incur indebtedness, and other obligations. VCE acquires electricity from commercial suppliers and delivers it through existing physical infrastructure and equipment managed by the California Independent System Operator (CAISO) and Pacific Gas and Electric Company (PG&E). Electricity costs include the cost of energy and ancillary services arising from bilateral contracts with energy suppliers as well as generation credits, and load and other charges arising from VCE’s participation in the California Independent System Operator’s centralized market.

VCE Mission:

*“To provide clean electricity, product choice, and greenhouse gas emission reductions – all with local control at competitive prices.”*

Objectives:

- Provide electric service to retail customers; and,
- Address climate change by reducing energy related greenhouse gas emissions through renewable energy supply and energy efficiency at stable and competitive rates for customers; and,
- Keep program control and revenues local, providing local economic and workforce benefits.

VCE Near-Term Vision

The near-term vision for VCEA is to provide electricity users with greater choice over the sources and prices of the electricity they use, by:

- Offering basic electricity service with higher renewable electricity content, at a rate competitive with PG&E;
- Developing and offering additional low-carbon or local generation options at modest price premiums;
- Establishing an energy planning framework for developing local energy efficiency programs and local energy resources and infrastructure; and
- Accomplishing the goals enumerated above while accumulating reserve funds for future VCEA energy programs and mitigation of future energy costs and risks.

VCE Long -Term Vision

The future vision for VCEA is to continuously improve the electricity choices available to VCEA customers, while expanding local energy-related economic opportunities, by:

- Causing the deployment of new renewable and low carbon energy sources;

## YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW

- Evaluating and adopting best practices of the electricity service industry for planning and operational management;
- Substantially increasing the renewable electricity content of basic electricity service, with the ultimate goal of achieving zero carbon emissions electricity;
- Developing and managing customized programs for energy efficiency, on-site electricity production and storage;
- Accelerating deployment of local energy resources to increase localized investment, employment, innovation and resilience;
- Working to achieve the climate action goals of participating jurisdictions to shape a sustainable energy future; and
- Saving money for ratepayers on their energy bills.
- Remaining open to the participation of additional jurisdictions.

### JPA Governance

VCE is governed by an eight-member Board of Directors; two representatives from each member agency. Board members are comprised of elected officials representing each of the following JPA members; the County of Yolo and the cities of Davis, Winters and Woodland. The Board regularly meets on the second Thursday of the month at 5:30 p.m. The regular meeting place(s) of the Board of Directors are held within the jurisdiction of one of its member agencies at the following locations: Davis City Council Chambers (Davis), City of Woodland Council Chambers (Woodland), City of Winters Police/Fire Station (Winters), or Yolo County Board of Supervisors Chamber (Woodland), and the meetings rotate from member to member, respectively.

VCE also has a 12-member Community Advisory Committee (CAC) that meets monthly, with the goal of providing thoughtful input to the Board and representing each of the member agencies and their various perspectives. Positions on this Advisory Board are voluntary.

### JPA Staff

The JPA currently has 7 total staff members, with 5 as VCE employees as shown below. The interim general manager is a full-time employee of the City of Davis and the JPA reimburses the City of Davis for his services. The manager of key accounts is a part-time consultant working on an as needed basis. In the past, the JPA has employed paid interns, however, there currently are none.

VCE Staff Positions	FTE	VCE Employees
Interim General Manager (City of Davis employee)	1	0
Assistant GM & Director of Power Resources	1	1
Director of Finance & Internal Operations	1	1
Director of Customer Care & Marketing	1	1
Board Clerk / Administrative Analyst	1	1
Program & Community Engagement Specialist	1	1
Manager, Key Accounts (Part-Time Consultant)	0.5	0
<b>Total FTE (full-time equivalent)</b>	<b>6.5</b>	<b>5</b>

### Contracted Services

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE.

**JPA SERVICE REVIEW**

**POTENTIALLY SIGNIFICANT DETERMINATIONS**

The JPA Service Review determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that a JPA Service Review update is not warranted.

- |  |  |
|--|--|
| <input type="checkbox"/> Growth and Population                                   | <input type="checkbox"/> Shared Services           |
| <input type="checkbox"/> Capacity, Adequacy & Infrastructure to Provide Services | <input checked="" type="checkbox"/> Accountability |
| <input checked="" type="checkbox"/> Financial Ability                            | <input type="checkbox"/> Other                     |

**LAFCo JPA SERVICE REVIEW:**

- On the basis of this initial evaluation, the required determinations are not significant and staff recommends that a comprehensive JPA Service Review is NOT NECESSARY. The subject agency will be reviewed again in five years per the Commission adopted review schedule.
- The subject agency has potentially significant determinations and staff recommends that a comprehensive JPA Service Review IS NECESSARY and has been conducted via this checklist.

This is Yolo LAFCo’s first JPA Service Review for VCE, and accordingly a comprehensive review was conducted. However, LAFCo did not find any significant issues and this review includes only minor recommendations. Due to the services provided by the JPA, it is highly regulated by the CPUC and already adhered to significant oversight. Therefore, a comprehensive review in five years may not be warranted.

**1. GROWTH AND POPULATION**

Growth and population projections for the affected area.	YES	MAYBE	NO
a) <i>Will development and/or population projections over the next 5-10 years impact the subject agency’s service needs and demands?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Will development and/or population projections over the next 5-10 years impact the subject agency’s service needs and demands?*

According to State Department of Finance projections, the number of households countywide is expected to increase by 5% from 2020 to 2030 (although VCE does not currently provide service to the City of West Sacramento). According to VCE’s Interim General Manager<sup>2</sup>, acquiring additional energy as needed to meet demands of population growth is not an issue and is highly regulated by the CPUC.

<sup>2</sup> Meeting with Mitch Sears, Interim General Manager, February 12, 2021



**YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW**

**Yolo County Household Projections**

	<b>2020</b>	<b>2025</b>	<b>2030</b>
<b>Total Households<sup>3</sup></b>	75,419	76,975	79,203

**Growth and Population MSR Determination**

According to VCE’s Interim General Manager, acquiring additional energy as needed to meet demands of population growth is not an issue and is highly regulated by the CPUC.

**2. CAPACITY AND ADEQUACY OF PUBLIC FACILITIES AND SERVICES**

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies.

	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) <i>Are there any deficiencies in agency capacity to meet <u>existing</u> service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)? Also note how services are provided (i.e. number of staff and/or contracts).</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable <u>future</u> growth?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

a) *Are there any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve (including deficiencies created by new state regulations)? Also note how services are provided (i.e. number of staff and/or contracts).*

No. There are no deficiencies in agency capacity to meet existing service demand.

b) *Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth?*

No. According to VCE’s Interim General Manager, acquiring additional energy as needed to meet demands of population growth is not an issue and is highly regulated by the CPUC.

c) *Is the agency needing to consider climate adaptation in its assessment of infrastructure/service needs?*

No. VCE’s mission is to provide clean electricity, product choice, and greenhouse gas emission reductions. It complies with the State of California’s Renewable Portfolio Standards (RPS) and self-imposed benchmarks. VCE acquires RPS eligible renewable energy evidenced by Renewable Energy

<sup>3</sup> Demographic Research Unit, California Department of Finance Table P-4 Project Households based on Baseline 2019 Population Projection Series, 6/12/2020

**YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW**

Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS).

**Capacity and Adequacy of Public Facilities and Services MSR Determination**

There are no deficiencies in agency capacity to meet existing service demand. According to VCE’s Interim General Manager, acquiring additional energy as needed to meet demands of population growth is not an issue and is highly regulated by the CPUC. VCE’s mission is to provide clean electricity, product choice, and greenhouse gas emission reductions. It complies with the State of California’s Renewable Portfolio Standards (RPS) and self- imposed benchmarks. VCE acquires RPS eligible renewable energy evidenced by Renewable Energy Certificates (Certificates) recognized by the Western Renewable Energy Generation Information System (WREGIS).

<b>4. FINANCIAL ABILITY</b>			
Financial ability of agencies to provide services.			
	<b>YES</b>	<b>MAYBE</b>	<b>NO</b>
a) <i>Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Does the subject agency fail to use generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c) <i>Does the agency staff fail to review financial data on a regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County’s financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Does the agency board fail to receive regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency’s assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
e) <i>Is there an issue with the organization’s revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) <i>Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar local agencies? Does the rate/fee schedule include a specific amount identified for capital asset replacement (tied to a capital improvement plan with implementation policies)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW**

- g) *Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs (excluding capital asset replacement, see 4f)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy?*
- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear debt management policy, if applicable?*

**Discussion:**

**VALLEY CLEAN ENERGY ALLIANCE  
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**

	2018	2019	2020	% of Total
<b>Revenue</b>				
Electricity sales, net	\$ 2,820,188	\$ 51,035,167	\$ 55,248,868	99.86%
Interest income	16,403	37,943	102,954	0.14%
<b>Total Revenue</b>	<b>2,836,591</b>	<b>51,073,110</b>	<b>55,351,822</b>	<b>100.00%</b>
<b>Expenses</b>				
Cost of electricity	2,237,352	38,539,605	41,538,258	88.82%
Contract services	1,848,165	2,309,962	2,854,222	7.57%
Staff compensation	17,922	981,805	1,059,829	2.22%
General and administrative	95,448	392,897	435,647	1.00%
Interest and related expenses	61,556	202,557	98,613	0.39%
<b>Total Expenses</b>	<b>4,260,443</b>	<b>42,426,826</b>	<b>45,986,569</b>	<b>100.00%</b>
<b>Net Change in Net Position</b>	<b>(1,423,852)</b>	<b>8,646,284</b>	<b>9,365,253</b>	
<b>Net Position, Beginning of Year</b>	-	(1,423,852)	7,222,432	
<b>Net Position, End of Year</b>	<b>\$ (1,423,852)</b>	<b>\$ 7,222,432</b>	<b>\$ 16,587,685</b>	

- a) *Is the subject agency in an unstable financial position, i.e. does the 5-year trend analysis indicate any issues?*

No. VCE was established in January 2017 and began providing service in June of 2018 so 3 years of financial data is presented. The JPA maintains its accounting data on an accrual basis of accounting which is a consistent for a government-provider of electricity. The accrual basis of accounting focuses on the long-term health of an entity and includes non-cash transactions such as depreciation of capital asset, adjustments to accrued liabilities, such as pension obligation, other post-employment benefits (OPEB) liability and accrued compensated absences. The data presented above is based on the accrual basis, however the JPA, at this time, does not have any capital assets, accrued compensated absences nor provides retiree health insurance or a defined benefit retirement plan. The above accrual basis data does not present data related to increases or decrease in debt balances, which is discussed in 4 h) below.

VEC revenues primarily consists of the sale of electricity to its customers. It also earns interest surplus cash, which is maintained in a commercial bank. Expenses consists of the following: cost of electricity, which make up almost 90% of total expenses, contracted services, staff compensation, general and administration, and debt service.

Since inception VCE has accumulated a \$16.6 million surplus and \$15.5 million of working capital (unrestricted current assets less current liabilities). At this early stage VCEA's financial outlook is very good. The agency is administered by very capable staff and contractors and so far has the support of the community with only 10% of eligible customers opting out. To maintain its continued financial success VCE will be focusing on limiting customer opt outs by keeping rates competitive, increasing brand recognition, and providing a superior customer experience. VCE has recently started to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. Countervailing factors due to several regulatory and market factors, including rising Power Charge Indifference Adjustment (PCIA) costs, rising market costs to procure resource adequacy supplies, and impacts associated with COVID, are anticipated to present VCE with significant budgetary pressures over the next two fiscal years. In addition, is researching the possibility of purchasing PGE's distribution system that is within its jurisdiction. A purchase of the magnitude would greatly change the finances and operations of the agency.

- b) *Does the subject agency fail to use generally accepted accounting principles including: summaries of all fund balances, summaries of revenues and expenditures, general status of reserves, and any un-funded obligations (i.e. pension/retiree benefits)? Does the agency have accounting and/or financial policies that guide the agency in how financial transactions are recorded and presented?*

Maybe. VCE's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. VCE's operations are accounted for as a governmental enterprise fund, and is reported using the economic resources measurement focus and the accrual basis of accounting, similar to business enterprises. Accordingly, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred. Enterprise fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Notwithstanding, LAFCo has some very minor recommendations below regarding reserve accounting, items included in Board financial reports and continuing to adopt accounting and finance policies.

VCE is audited annually by external, independent certified public accountants in accordance with US generally accepted accounting principles (GAAP) and has additional oversight from regulatory agencies such as the California State Controller's Office.

- c) *Does the agency staff fail to review financial data on a regular basis and are discrepancies identified, investigated and corrective action taken in a timely manner? The review may include reconciliations of various accounts, comparing budgets-to-actual, analyzing budget variances, comparing revenue and expense balances to the prior year, etc. If the agency uses Yolo County's financial system and the County Treasury, does the agency review monthly the transactions in the County system to transactions the agency submitted to the County for processing?*

No. According to VCE staff segregation of duties related to processing, approvals, and recording of transactions has been implemented. Financial statements and reconciliations are prepared by the County and variance analysis is performed by VCE staff. The County is reviewing, recording, and approving all transactions that are recorded in the County's financial system, Infor.

The current expenditure payment process begins with the Interim GM approving and invoice, the Director of Finance and Internal Operations processes the payment by either writing a check or initiating banking transactions and County staff approves the banking transactions. Although the Board receives a monthly financial report it does not include a listing of approved expenditures.

VCE gives the County bank statements, check book and copies of invoices. These documents are then the source of accounting data entered into Infor and used to reconcile the bank account. Financial statements are prepared by the County and given to VCE staff for review.

## YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW

---

- d) *Does the agency board fail to receive regular financial reports (quarterly or mid-year at a minimum) that provide a clear and complete picture of the agency's assets and liabilities, fully disclosing both positive and negative financial information to the public and financial institutions?*

No. Each month staff presents unaudited financial statements to the VCE board. The financial statements include, for the reporting month and year-to-date, a balance sheet, income statement, statement of cash flows and a budget-to-actual schedule. The statements are accompanied by a staff report that explains significant variances.

- e) *Is there an issue with the organization's revenue sources being reliable? For example, is a large percentage of revenue coming from grants or one-time/short-term sources?*

No. Revenue reliability depends on a couple of factors: whether a significant percentage of revenue is from a small percentage of customers (10% or more from a single customer and/or 25% or more is from a small number of customers), collectability of accounts receivable, volatility from year-to-year, the extent to which one-time revenues are used to fund current operations, and mitigation of other risks that may impact revenue.

VCE receives revenue by providing electricity to its customers, which are billed monthly. Accounts receivable as of June 30, 2019 and June 30, 2020 were \$5,426,377 and \$7,005,619 respectively, of which the allowance of uncollectible accounts was 8.73% and 14.92% of the year-end accounts receivable balance.

VCE does not have any concentration risk in the current customer profile.

The year-end accounts receivable balance increased by over 29% from 2019 to 2020. According to the VCE GM the increase of accounts receivable is related to the State of California's Utility Consumer Protections during COVID19. The CPUC has enacted a program called the Arrearage Management Plan (AMP) to stabilize low-income utility customers. VCE is participating in this program which is funded by the Public Purpose Program Charge fees collected from all utility customers in IOU service territories. The CPUC is currently considering additional financial support programs for moderate income customers that VCE may also participate in. These programs are anticipated to offset a portion of VCE uncollectible accounts receivable.

- f) *Is the organization's rate/fee schedule insufficient to fund an adequate level of service, necessary infrastructure maintenance, replacement and/or any needed expansion? Is the fee inconsistent with the schedules of similar local agencies? Does the rate/fee schedule include a specific amount identified for capital asset replacement (tied to a capital improvement plan with implementation policies)?*

No. VCE has accumulated a surplus of \$16.6 million as of June 30, 2020. VCE currently does not have any capital assets to maintain or replace.

- g) *Is the organization needing additional reserves to protect against unexpected events or upcoming significant costs (excluding capital asset replacement, see 4f)? Has the agency identified and quantified what the possible significant risks and costs of infrastructure or equipment failure? Does the agency have a reserve policy?*

No. VCE has adopted a reserve policy that addresses the short-term liquidity of the agency by accumulating a cash reserve with a target of 90 days of expenses.

- h) *Does the agency have any debt, and if so, is the organization's debt at an unmanageable level? Does the agency need a clear capital financing and debt management policy, if applicable?*

No. Loans from member agencies: To finance the agency startup expenses before selling electricity, the agency borrowed \$1,500,000 from its original 3 members. This amount was paid back in fiscal year 2020.

**YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW**

Line of Credit: In May 2018, VCE entered into a non-revolving \$11,000,000 Credit Agreement (Agreement) with a commercial bank for the purpose of providing working capital to fund power purchases. The bank required collateral for the line of credit of \$1.1 million which is report as restricted cash. The agreement was set to expire in May 2019 but was continually extended until August 31, 2020. At the expiration of the agreement, any outstanding balance could be converted to an amortizing term loan which matures up to 5 years from conversion date. In October 2019, VCE converted the outstanding loan balance of \$1,976,610 balance to an amortizing 5-year term loan and has paid down the loan to \$1,746,006 as of June 30, 2020. In September 2020, VCE has agreed in principle to one-year renewal to September 1, 2021 for both the agreement and loan. The Agreement limit was reduced from \$11,000,000 to \$7,000,000. The 5-year term loan has been shortened to a maturity date of September 1, 2021.

VCE has not issued any bonded or secured debt at this time. According to VCE GM, the credit and banking agreement with River City Bank is specific to CCA startup support and coordinated through the Board designated Treasurer (Yolo County CFO). We will evaluate a Finance & Accounting Policy (including debt component) for Board consideration in the 2021 calendar year.

**Financial Ability MSR Determination**

Since inception VCE has accumulated a \$16.6 million surplus and \$15.5 million of working capital (unrestricted current assets, less current liabilities). At this early stage VCEA’s financial outlook is very good. The agency is administered by very capable staff and contractors and so far has the support of the community with only 10% of eligible customers opting out. To maintain its continued financial success VCE will be focusing on limiting customer opt outs by keeping rates competitive, increasing brand recognition, and providing a superior customer experience. VCE has recently started to procure power through long-term power purchase agreements to assist in stabilizing renewable power costs in the future and help VCE accomplish its mission of providing renewable energy and reducing greenhouse gas emissions. This will help reduce the potential effect of future energy market price volatility and create a stable environment for VCE and its ratepayers. Countervailing factors due to several regulatory and market factors, including rising Power Charge Indifference Adjustment (PCIA) costs, rising market costs to procure resource adequacy supplies, and impacts associated with COVID, are anticipated to present VCE with significant budgetary pressures over the next two fiscal years. In addition, is researching the possibility of purchasing PGE’s distribution system that is within its jurisdiction. A purchase of the magnitude would greatly change the finances and operations of the agency.

**Financial Ability MSR Recommendation(s)**

- Consider maintaining reserves in separate general ledger accounts.
- Consider submitting a list of disbursements to the board as part of the financial report.
- Develop and adopt finance and accounting policies by the end of 2021.

**5. SHARED SERVICES AND FACILITIES**

Status of, and opportunities for, shared facilities.

	YES	MAYBE	NO
a) <i>Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Discussion:**

- a) *Are there any opportunities for the organization to share services or facilities with neighboring, overlapping or other organizations that are not currently being utilized?*

No. In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity transmission infrastructure is provided by PG&E.

**Shared Services MSR Determination**

In 2017, VCE entered into a five (5) year contract with the Sacramento Municipal Utility District (SMUD) to provide technical and financial analysis; data management and call center services; wholesale energy services; and operational staff services. As part of the contract, SMUD provides power portfolio purchase services to and on behalf of VCE. Electricity transmission infrastructure is provided by PG&E.

**6. ACCOUNTABILITY, STRUCTURE AND EFFICIENCIES**

Accountability for community service needs, including governmental structure and operational efficiencies.

	YES	MAYBE	NO
a) <i>Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b) <i>Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
c) <i>Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
d) <i>Does the agency have adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct (see suggested policies list)?</i>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e) <i>Are any agency officials and designated staff <u>not</u> current in making their Statement of Economic Interests (Form 700) disclosures?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
f) <i>Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results <u>not</u> reviewed in an open meeting?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
g) <i>If the agency is not audited annually, does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

## YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW

---

- h) *Does the organization need to improve its public transparency via a website (see <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>)?*
- 

### Discussion:

- a) *Are there any recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency (i.e. overlapping boundaries that confuse the public, service inefficiencies, and/or higher costs/rates)?*

No. There was some public confusion over the transition from PG&E to VCE. However, this has been addressed through VCE's active outreach program and recent updates to its Outreach and Marketing Plan. The Plan includes strategies and actions to increase customer awareness of VCE and the programs offered. VCE will continue to use both conventional media and social media to develop customer awareness and understanding of the CCA model and its role in planning for the local electricity system. In addition, there have been speculative discussions about future potential government structures to be prepared in the event PG&E enters bankruptcy again or loses its franchise.

- b) *Are there any issues with filling board vacancies and maintaining board members? Is there a lack of board member training regarding the organization's program requirements and financial management?*

No. VCE is managed by a Board of Directors with designated representatives from each of the member communities it serves: 2 each from the Woodland, Davis and Winters City Councils, and 2 from the Yolo County Board of Supervisors. The VCE Board Members are appointed annually by their respective agencies and are not paid by VCE to serve on our board. Monthly Board meetings are typically held on the 2nd Thursday of each month, alternating locations between the City of Davis Community Chambers and City of Woodland Council Chambers. Although during COVID, the Board's regular meetings have been scheduled for 4 p.m. via teleconference. The public can sign up on VCE's website to receive Board meeting agendas.

In addition, a 12-member Community Advisory Committee meets monthly, with the goal of providing thoughtful input to the Board and representing each of the member agencies and their various perspectives. Positions on this Advisory Board are voluntary. At this time there is one vacancy on the Committee and applications are being invited from residents of unincorporated Yolo County.

- c) *Are there any issues with staff capacity and/or turnover? Is there a lack of staff member training regarding the organization's program requirements and financial management?*

VCE has 7 staff members, 5 of which are employees of the JPA. Significant turnover has not occurred over its 4-year lifetime. The Interim General Manager is on loan from the City of Davis because the JPA is not a member of the CALPERS pension program.

- d) *Does the agency have adequate policies (as applicable) relating to personnel/payroll, general and administrative, board member and meetings, and segregating financial and accounting duties among staff and/or board to minimize risk of error or misconduct?*

Maybe. VCE has an excellent employee manual and has adopted some other basic policies. According to the Interim General Manager, the accounting policies and procedures are internal procedures and not adopted policies. VCE plans to evaluate a Finance & Accounting Policy for Board consideration in the 2021 calendar year.

- e) *Are any agency officials and designated staff not current in making their Statement of Economic Interests (Form 700) disclosures?*

No. VCE meets filing requirements set by the FPPC. The VCE Clerk of the Board coordinates and submits all FPPC documents.

- f) *Does the agency need to secure independent audits of financial reports that meet California State Controller requirements? Are the same auditors used for more than six years? Are audit results not reviewed in an open meeting?*

No. VCE is audited annually beginning in 2017 (agency inception) through 2020 by James Marta & Co.



## YOLO LAFCo JOINT POWERS AGENCY SERVICE REVIEW

- g) *If the agency is not audited annually, does the agency need to have a qualified external person review agency finances each year (at a minimum), comparing budgets to actuals, comparing actuals to prior years, analyzing significant differences or changes, and determining if the reports appear reasonable?*

No. Not applicable since VCE is audited annually.

- h) *Does the organization need to improve its public transparency via a website (see <https://www.yololafco.org/yolo-local-government-website-transparency-scorecards>)?*

No. VCE received a 97% transparency score in 2020.

### Accountability, Structure and Efficiencies MSR Determination

VCE is very accountable for community service needs, including governmental structure and operational efficiencies. VCE is managed by a Board of Directors with designated representatives from each of the member agencies. Board meetings are open to the public and held once per month. In addition, a 12-member Community Advisory Committee meets monthly, with the goal of providing thoughtful input to the Board and representing each of the member agencies and their various perspectives. The public can also sign up on VCE's website to receive meeting agendas. VCE's website received a 97% transparency score in 2020. VCE continues to use both conventional media and social media to develop customer awareness and understanding of the Community Choice Aggregation (CCA) model and its role in planning for the local electricity system.

VCE has 7 staff members, 5 of which are employees of the JPA. VCE has an excellent employee manual and has adopted some other basic policies. According to the Interim General Manager, the accounting policies and procedures are internal procedures and not adopted policies. VCE plans to evaluate a Finance & Accounting Policy for Board consideration in the 2021 calendar year. VCE meets filing requirements set by the FPPC and is audited annually beginning in 2017 (agency inception).

### Accountability, Structure and Efficiencies MSR Recommendation(s)

- Develop and adopt finance and accounting policies by the end of 2021.

## 7. OTHER ISSUES

Any other matter related to effective or efficient service delivery, as required by commission policy.

	YES	MAYBE	NO
a) <i>Are there any recommendations from the agency's previous JPA Service Review that have not been implemented?</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

### Discussion:

- a) *Are there any recommendations from the agency's previous JPA Service Review that have not been implemented?*

No. This is VCE's first JPA Service Review conducted by LAFCo.

### Other Issues MSR Determination

There are no other matters related to effective or efficient service delivery, nor previous LAFCo JPA Service Review recommendations to check status of.