

# VALLEY CLEAN ENERGY ALLIANCE

## Staff Report – Item 12

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**TO:** Board of Directors

**FROM:** Mitch Sears, Interim General Manager  
Edward Burnham, Director of Finance and Operations

**SUBJECT:** Adopt resolution to change existing fiscal year of July 1st to June 30th to align with calendar year (January 1st to December 31st)

**DATE:** November 10, 2021

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### RECOMMENDATION

Adopt resolution to change existing fiscal year of July 1st to June 30th to align with calendar year (January 1st to December 31st).

### BACKGROUND

Since its formation, Valley Clean Energy has operated with a fiscal accounting year ending on June 30, aligned with the Member Jurisdictions' Fiscal Year. Over the past two years, VCE has experienced high volatility in the energy sector and overall economy, primarily driven by the uncertainty during the COVID-19 pandemic and possible long-term recession. VCE has experienced other financial impacts compared to the adopted budgets driven by forces outside VCE's direct control, including the forward market pricing for energy costs, PG&E generation rate adjustments, and power charge indifference adjustments (PCIA). VCE should consider the optimal timeline of financial milestones to reduce the risks of operating budget performance.

### ANALYSIS

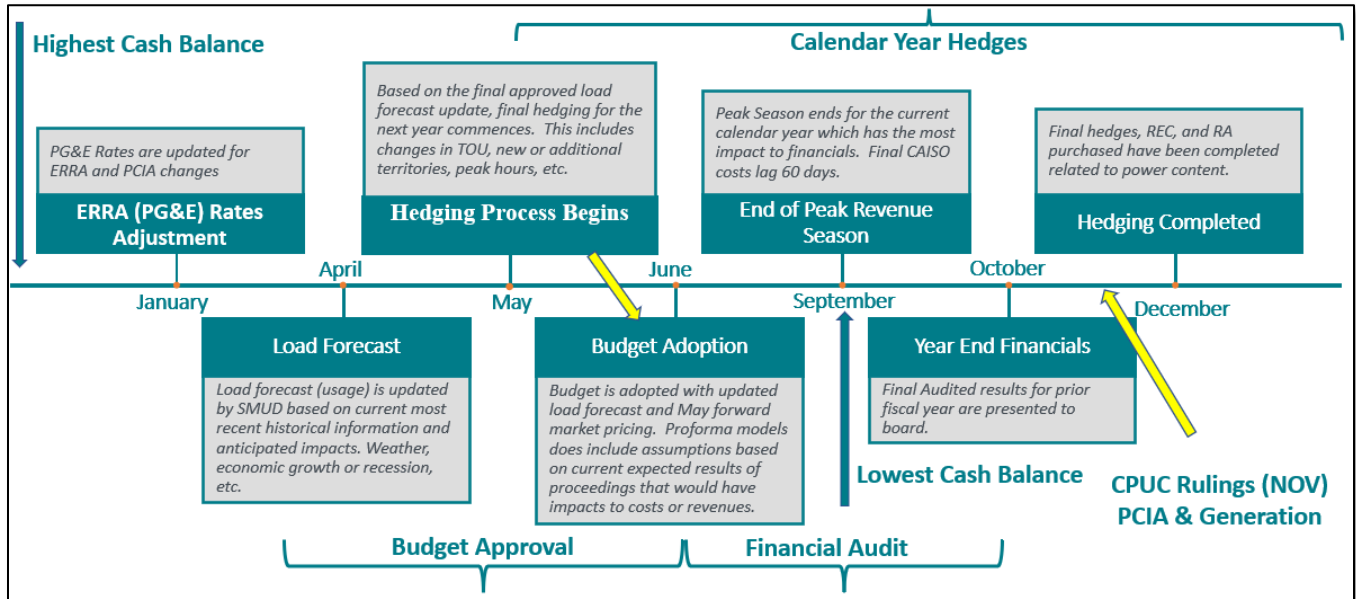
As described above, VCE has maintained a Fiscal Year ending June 30. At the October 14 Board Meeting, Staff outlined a comparison timeline of the current Fiscal Year ending June 30 and a Calendar Year ending on December 31 including three options found [here](#). The Accounting Year options were based on a timeline of significant financial milestones incorporated into the budget and audit processes that impact both costs and revenues.

As part of this analysis, VCE did find that the accounting years were not standardized throughout California (including CCA's) and had no regulatory requirements.

Historically, the Fiscal Year timeline presents risks associated with the closeness of VCE's load update, completion of hedging for the adopted budget, and separates the peak energy season (summer) into two Fiscal Years. A Fiscal Year budget incorporates additional assumptions for future regulatory

decisions impacting VCE’s most significant inputs for generation rate and PCIA rate adjustments increasing the risk of operating budget performance as displayed below.

**FISCAL YEAR TIMELINE OF FINANCIAL MILESTONES**

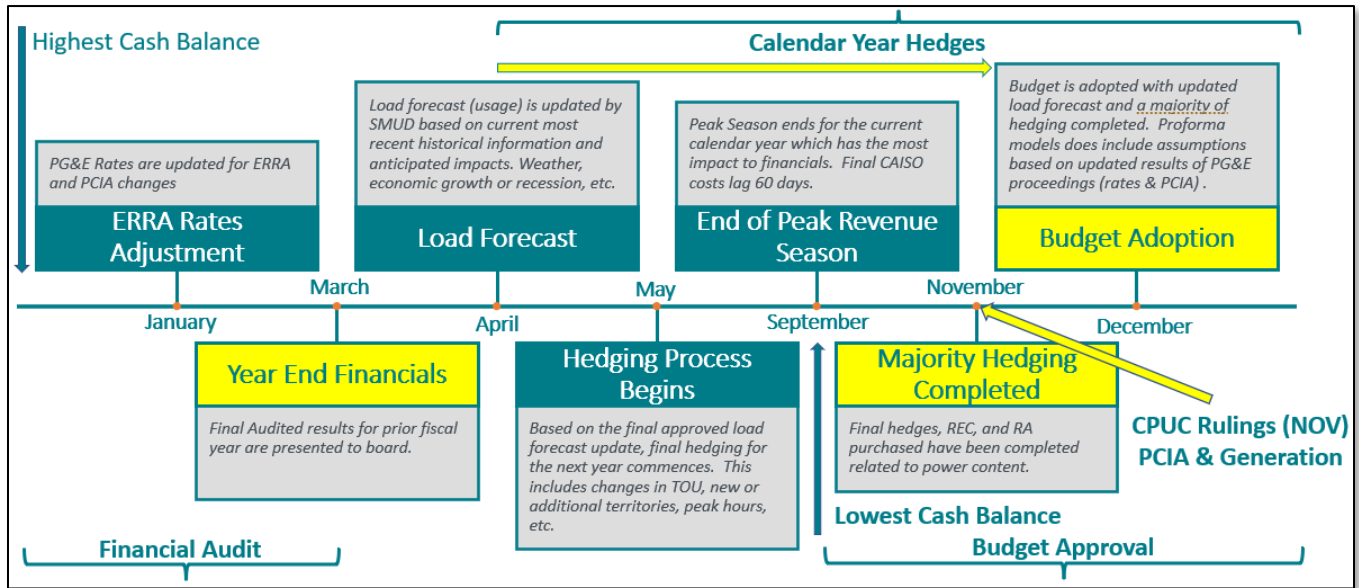


Adoption of a fiscal year aligned with the calendar year ending December 31 would be beneficial by allowing additional time for internal decisions and reviewing the external decisions that impact VCE’s operating budget performance, as displayed in the updated timeline below. Internal and external advantages of taking the recommended action include:

- Power Contracts are based on CY (Internal)
- Regulatory Compliance Reporting is based on CY (External)
- Peak Revenue Season (May-September) would not be split (External)
- Increased fixed Power Costs by hedging completion (Both)
- Accuracy of Customer Rates (PG&E filings and VCE costs – External)
- Additional Review Time for Load Update - (Internal)
- Reduced Risks of uncontrollable or variable financial impacts (Internal)

The long-term impact of a fiscal year aligned with the calendar year will also support stabilizing the rate-setting process as described in the companion Board item 16. The adoption would require VCE to amend the current Fiscal Year 2021-22 Budget (6 Month) to end as of December 31, 2021 and CY Budget (12 Month) for CY 2022 ending December 31, 2022. The preliminary CY 2022 Budget is being presented in companion item 17. In addition, an audit will be completed in the first quarter of 2022 for the amended 2021-22 Budget (6 Month).

**CALENDAR YEAR TIMELINE OF FINANCIAL MILESTONES**



\*Note: Highlighted headings in the time-line indicate shifts in key budget milestones compared to the existing fiscal year calendar (i.e. July to June)

**CONCLUSION**

As described above, the transition of our accounting year to a Calendar Year ending December 31 compared to the Fiscal Year ending June 30 reduces the risks of operational budget performance. Therefore, Staff recommends to the Board the adoption of the attached resolution, with an effective date December 31, 2021.

**ATTACHMENT**

1. Resolution adopting a change in the existing fiscal year of July 1st to June 30th to align with calendar year (January 1st to December 31st) – Effective December 31, 2021.

**VALLEY CLEAN ENERGY ALLIANCE**

**RESOLUTION NO. 2021 - \_\_\_\_\_**

**A RESOLUTION OF THE VALLEY CLEAN ENERGY ALLIANCE  
CHANGING THE FISCAL YEAR (JULY 1 – JUNE 30)  
TO ALIGN WITH THE CALENDAR YEAR (JANUARY 1 – DECEMBER 31)**

**WHEREAS**, the Valley Clean Energy Alliance (“VCE”) is a joint powers agency established under the Joint Exercise of Powers Act of the State of California (Government Code Section 6500 et seq.) (“Act”), and pursuant to a Joint Exercise of Powers Agreement Relating to and Creating the Valley Clean Energy Alliance between the County of Yolo (“County”), the City of Davis (“Davis”), the City of Woodland and the City of Winters (“Cities”) (the “JPA Agreement”), to collectively study, promote, develop, conduct, operate, and manage energy programs; and,

**WHEREAS**, since its establishment, VCE has followed a 12 month fiscal year commencing July 1 and ending June 30; and,

**WHEREAS**, Section 5.1 Fiscal Year of the JPA Agreement, authorizes the Board to change the fiscal year via resolution.

**WHEREAS**, a calendar year based fiscal year ending December 31<sup>st</sup> supports the optimal operational budget performance for the VCE business cycle.

**NOW, THEREFORE**, the Board of Directors of the Valley Clean Energy Alliance resolves as follows:

1. Adopt Resolution changing the fiscal year commencing July 1 and ending June 30 to a 12 month fiscal year commencing January 1 and ending December 31 with an effective date of December 31, 2021.

**PASSED, APPROVED, AND ADOPTED**, at a regular meeting of the Valley Clean Energy Alliance, held on the \_\_\_ day of \_\_\_\_\_ 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Dan Carson, VCE Chair

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Alisa M. Lembke, VCE Board Secretary