



Western Riverside Council of Governments Finance Directors' Committee

AGENDA

**Thursday, July 28, 2016
10:00 a.m.**

**County of Riverside Administrative Center
4080 Lemon Street
5th Floor, Conference Room "C"
Riverside, CA, 92501**

PLEASE NOTE NEW LOCATION

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the WRCOG Finance Directors' Committee meeting, please contact WRCOG at (951) 955-8311. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting. In compliance with Government Code Section 54957.5, agenda materials distributed within 72 hours prior to the meeting which are public records relating to an open session agenda item will be available for inspection by members of the public prior to the meeting at 4080 Lemon Street, 3rd Floor, Riverside, CA, 92501.

The WRCOG Finance Directors' Committee may take any action on any item listed on the agenda, regardless of the Requested Action.

1. CALL TO ORDER (Jason Simpson, Chair)

2. SELF INTRODUCTIONS

3. PUBLIC COMMENTS

At this time members of the public can address the WRCOG Finance Directors' Committee regarding any items with the subject matter jurisdiction of the Committee that are not separately listed on this agenda. Members of the public will have an opportunity to speak on agendized items at the time the item is called for discussion. No action may be taken on items not listed on the agenda unless authorized by law. Whenever possible, lengthy testimony should be presented to the Committee in writing and only pertinent points presented orally.

4. CONSENT CALENDAR

All items listed under the Consent Calendar are considered to be routine and may be enacted by one motion. Prior to the motion to consider any action by the Committee, any public comments on any of the Consent Items will be heard. There will be no separate action unless members of the Committee request specific items be removed from the Consent Calendar.

- A. **Summary Minutes from the May 26, 2016, WRCOG Finance Directors' Committee meeting are available for consideration.** **P. 1**

Requested Action: 1. *Approve Summary Minutes from the May 26, 2016, WRCOG Finance Directors' Committee meeting.*

- B. **WRCOG Financial Report Summary through June 2016** **Ernie Reyna** **P. 7**

Requested Action: 1. *Receive and file.*

- C. **WRCOG Finance Department Activities Update** **Ernie Reyna** **P. 13**

Requested Action: 1. *Receive and file.*

5. REPORTS/DISCUSSION

- A. **Selection of WRCOG Finance Directors' Committee Chair, Vice-Chair, and 2nd Vice-Chair positions for Fiscal Year 2016/2017** **Ernie Reyna, WRCOG** **P. 15**

Requested Action: 1. *Select WRCOG Finance Directors' Committee Chair, Vice-Chair, and 2nd Vice-Chair positions for Fiscal Year 2016/2017.*

- B. **Regional Streetlight Program Activities Update** **Tyler Masters, WRCOG** **P. 17**

Requested Action: 1. *Recommend that the WRCOG Executive Committee recommend, for those jurisdictions interested in using financing for the acquisition and retrofitting of streetlights, utilize Bank of America (which was deemed the most responsive during the bid process by WRCOG staff and its Financial Advisor, Public Financial Management, for being able to provide the most competitive financing for the Regional Streetlight Program).*

- C. **Governmental Accounting Standards Board Pronouncement Statement Number 72 Presentation** **Terry Shea, Rogers, Anderson, Malody & Scott** **P. 23**

Requested Action: 1. *Receive and file.*

6. ITEMS FOR FUTURE AGENDAS **Members**

Members are invited to suggest additional items to be brought forward for discussion at future WRCOG Finance Directors' Committee meetings.

7. GENERAL ANNOUNCEMENTS **Members**

Members are invited to announce items/activities which may be of general interest to the WRCOG Finance Directors' Committee.

8. **NEXT MEETING:** **The next WRCOG Finance Directors' Committee meeting is scheduled for Thursday, September 22, 2016, at 10:00 a.m., County of Riverside Administrative Center, 4080 Lemon Street, 3rd Floor in Conference Room "A".**

9. ADJOURNMENT

1. CALL TO ORDER

The meeting of the WRCOG Finance Directors' Committee (Committee) was called to order at 10:04 a.m. by Chair Jason Simpson at Transportation's 14th Annex, 2nd Floor in Conference Room 3.

2. SELF INTRODUCTIONS

Members present:

Terry Shea, City of Canyon Lake (arrived 10:13 a.m.)
James Riley, Cities of Eastvale and Wildomar
Jessica Hurst, City of Hemet (departed 10:47 a.m.)
Jason Simpson, City of Lake Elsinore (Chair)
Londa Bock-Helms, City of Murrieta
Thomas Prill, City of San Jacinto
Matthew Schenk, March Joint Powers Authority
Kevin Mascaro, Western Municipal Water District

Staff present:

Ernie Reyna, Chief Financial Officer
Barbara Spoonhour, Director of Energy and Environmental Programs
Christopher Gray, Director of Transportation
Jennifer Ward, Director of Government Relations
Tyler Masters, Program Manager
Andrew Ruiz, Accounting Manager
Lupe Lotman, Executive Assistant

Guests present:

Laura Franke, Public Financial Management (PFM)
Felicia Williams, PFM
Phil Bowman, Muni-Fed Energy
Chris Bout, Johnson Controls
Maureen McDonald, Johnson Controls

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR – M/S/A (Hurst/Bock-Helms) 8-0-0; Items 4.A through 4.C were approved by unanimous vote of those members present. The Cities of Banning, Calimesa, Canyon Lake, Corona, Jurupa Valley, Menifee, Moreno Valley, Norco, Perris, Riverside, Temecula, the County of Riverside, the Eastern Municipal Water District, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

A. Summary Minutes from the March 24, 2016, WRCOG Finance Directors' Committee meeting.

Action: 1. Approved Summary Minutes from the March 24, 2016, WRCOG Finance Directors' Committee meeting.

B. WRCOG Financial Report Summary through April 2016

Action: 1. Received and filed.

C. WRCOG Finance Department Activities Update

Action: 1. *Received and filed.*

5. REPORTS/DISCUSSION

A. Regional Streetlight Program Activities Update

Tyler Masters reported that the Regional Streetlight Program was developed to identify and provide support to all interested WRCOG member jurisdictions through the acquisition of Southern California Edison (SCE)-owned and operated street lights, followed by LED retrofit, and any possible future regional operation and maintenance needs for the entire WRCOG subregion. There are over 63,000 SCE-owned streetlights in the Western Riverside subregion that local jurisdictions do not have control over. That equates to a subregional \$10,000,000+ annual cost. Note that this rate has increased by 55% since 2001.

In December 2014, the WRCOG Executive Committee directed staff to pursue the development and administration of this Program. Program objectives include assisting interested cities with purchase, LED retrofits, administration of a regional operations and maintenance contract, and support of a Smart-City future. A per-pole per-month cost comparison for LS-1 (SCE-owned streetlights) total is \$12.06, and a \$6.10 total for LS-2 (jurisdiction-owned streetlights). The maintenance cost (\$1.33 per-pole per-month) includes the capital of new poles and fixtures and staff time to fix pole knockdowns, lamp burn-outs, etc. Two snap shots of annual utility costs of streetlights in the Cities of Murrieta at \$337K a year and Wildomar at \$90K a year were provided. WRCOG can provide any city's snap shot upon request.

One Regional Program vs. up to 16 separate but similar programs can achieve numerous administrative, operational, and maintenance cost efficiencies. It will reduce utility bill costs, energy consumption, and streetlight maintenance costs, and lead to improvement in public safety. Additional benefits of streetlight ownership include use of this real estate asset as a potential revenue generator. It gives the ability to install attachments such as banners, dimmers, air quality sensors, and gunshot detectors. There are three paths of the program that are occurring simultaneously; acquisition, financing, and development / update of streetlight design standards. The City of Hemet was chosen to implement a regional Test Bed in the summer of 2016. There will be a variety of 100+ LED technologies. There will be press kits and surveys.

Laura Franke reported that Public Financial Management (PFM) recognizes that the cities will not be able to write a check for the financing. Therefore, PFM has been working hand in hand with the entire development team to come up with a financing solution that will work collaboratively with the technology purchase and installation of the Streetlights. PFM's goals were to have a single provider for all the cities and a simple defined approval process. PFM will work with the lender on the cities' behalf. Meetings are scheduled for discussion of cash flows for each of the individual cities. For pricing, PFM wanted to ensure that cities have the option or opportunity for smart applications. PFM is suggesting that the cities may want to borrow at a higher taxable rate to maintain the flexibility for future revenues. The provider that is selected should have reasonable fees associated with their services. The provider should also have the capacity to add additional upgrades into the financing package.

An open to the public financing solicitation posted on March 1, 2016; 56 firms received notice. There was a three week window to respond. Four written responses and four indications of interest without written response were received. A preliminary evaluation was prepared and a conference call interview process was started. There are two finalists that PFM is continuing conversations with. A recommendation will be submitted to WRCOG by June 1, 2016. Once the provider is selected, they will draft the documents and the transaction structure will be as a leased purchase. At the same time, PFM will be working on gathering the cities' financial

statements and budgets to begin the credit processing. Each city will close financing based on the California Public Utilities Commission approval of the purchase agreement with SCE. Financing closes on October 1, 2016.

PFM developed a cash flow model using SCE's valuation data. Factors are accounted for in cash flow model. Updates will be ongoing. An abridged model version will be provided for the cities' use. A workshop can be provided as well.

Mr. Masters mentioned that 10 cash flow feasibility meetings are scheduled for mid-June through early July.

Committee member Tim Prill asked for an update on SCE's plan for municipal surcharge to counteract this, and how this will affect SCE's revenues.

Mr. Masters replied that WRCOG is unsure at this time how SCE might attempt to recoup their revenue that might be loss.

Committee member Prill asked if SCE has attempted to contact the CPUC.

Mr. Masters replied that SCE is required to file in its general rate case its adjustments on a three-year cycle.

Barbara Spoonhour indicated that WRCOG is going to look at adding some additional models that have a higher escalator than SCE, which right now is at 4%. WRCOG may look at increasing that percentage to see what that possible ending will be.

Action: 1. *Received and filed.*

B. Allocation of Fiscal Year 2015/2016 Agency Carryover Funds

Jennifer Ward is requesting feedback from jurisdictions on how to reallocate WRCOG Agency carryover funds. At the close of Fiscal Year 2014/2015, there was a total of \$3.3 million in carryover funds. Those funds were allocated by final decision of the WRCOG Executive Committee in June 2015. \$400,000 was allocated to the Fellowship Program; the BEYOND Framework Fund – Round 1 received \$1.8 million; and WRCOG received \$1.1 million for various program operations.

WRCOG has partnered with the University of California, Riverside, and California Baptist University to create a structure for a public service fellowship, which is anticipated to launch in July. There will be approximately 10 students from each university to be placed with WRCOG's member jurisdictions.

There are currently 32 active projects in the jurisdictions utilizing the BEYOND Framework Fund. Some cities divided their projects into multiple projects. It is anticipated that for Fiscal Year 2015/2016, a total of \$4.2 million will be available to allocate back to the member jurisdictions. The potential allocations for consideration for Fiscal Year 2015/2016 are approximately \$400 million to WRCOG Agency reserves, \$2.0 million to BEYOND Round II, \$100,000 for Healthy Communities Activities, \$700,000 for WRCOG Agency activities, and \$1.0 million for regional projects. WRCOG would like to build up a target agency reserve. With this year's and last year's allocation the total amount allocated for reserves would be approximately \$1 million. WRCOG would like to allocate the same \$1.8 million in BEYOND funding to the jurisdictions for allocation. \$200,000 additional funds are being set aside for jurisdictions that partner and collaborate on subregional projects within the BEYOND Framework. Two of the WRCOG initiatives proposed are the Water Quality Framework and exploring grant writing services.

Committee member Thomas Prill requested a reconsideration of the reallocation of the BEYOND Framework for the City of San Jacinto.

Ms. Ward indicated that this formula was divided into three tiers but that the reallocation formula will definitely be reviewed.

Ernie Reyna indicated the allocation is strictly based on population. If a Committee member has any suggestions that will benefit their city, to provide that information to staff.

Ms. Ward indicated that WRCOG would like to establish a regional center in Riverside County for various sustainability program uses.

Committee member Terry Shea suggests using local hiring preferences. It will show that the money stays in the subregion.

Ms. Ward indicated that an Ad hoc subcommittee was formed to provide additional guidance.

Lastly, Ms. Ward indicated that WRCOG funds 100% of the Fellowship Program for the jurisdictions.

Action: 1. *Received and filed.*

C. TUMF Fee Comparison Study

Christopher Gray reported that WRCOG is preparing a study that will compare all development fees within and surrounding the WRCOG subregion. The study will also review the cost of development, including land costs, labor and materials, and interest rates. The five development prototype projects that are being used for fee comparison are the following: 2,700 square-foot, single-family homes; 20,000 square foot, office; 240-unit, multi-family residential development; 10,000 square-foot, retail development; and a 300,000 square foot, industrial project. The consultant has reviewed market records to determine what is actually being built in Riverside County. Of the various types of fees being assessed on new development, water and sewer fees appear to be the largest. All member agencies will have the opportunity to review the initial results of the fee comparison, and the study is expected to be completed by August 2016.

Chairman Simpson asked if there was any City from which WRCOG did not receive the fees.

Mr. Gray replied no, WRCOG received all the fees from all its member jurisdictions.

Action: 1. *Received and filed.*

D. WRCOG Draft Budget for Fiscal Year 2016/2017

Ernie Reyna reported that with respect to the carryover previously discussed by Ms. Ward, initially the carryover was \$1.2 million, but should have been \$1.1 million to reflect the additional \$100K allocation to the Fellowship Program. Other projects such as the Community Choice Aggregation, Streetlights, Energy Administration, as well as the addition of two employees in the Government Relations Department, are also being funded, thereby reducing the current carryover to \$442K. The goal is to reach \$1 million by the end of this fiscal year.

WRCOG has developed an Employee Education Reimbursement Program. This Program allows WRCOG to allocate \$25K to each year's fiscal budget and provides \$2,500 per employee, per fiscal year, not to exceed the lifetime of \$10,000, for education. One of the requirements is that the employee must maintain a "C" or better grade point average.

WRCOG also developed a \$25,000 Sponsorship Policy, which is directed toward agencies outside of the normal member jurisdictions' sponsorship, i.e. State of the City events.

The Fiscal Year 2016/2017 draft budget remains balanced with the total Agency revenues at \$61.5 million and total agency expenditures at \$59.9 million.

Action: 1. *Recommended that the WRCOG Executive Committee approve the WRCOG Draft Budget for Fiscal Year 2016/2017.*

M/S/A (Simpson/Bock-Helms) 8-0-0; Item 5.D was approved by unanimous vote of those members present. The Cities of Banning, Calimesa, Corona, Jurupa Valley, Hemet, Menifee, Moreno Valley, Norco, Perris, Riverside, Temecula, the County of Riverside, the Eastern Municipal Water District, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

6. ITEMS FOR FUTURE AGENDAS

Ernie Reyna reported that the Committee members have expressed a desire for more technical and accounting topics. Some items for future discussion will include a Comprehensive Annual Financial Report, Budget, Streetlights, and Governmental Accounting Standards Board (GASB) updates.

Committee member Terry Shea reported that the City of Canyon Lake is having an 8-hour GASB update on June 8, 2016, from 8:30 a.m. to 4:30 p.m. More details to come in a flyer.

Chairman Simpson indicated that once all the meetings are complete on the cash flow, a discussion regarding how the Streetlights are being paid for should occur.

7. GENERAL ANNOUNCEMENTS

Jennifer Ward announced that WRCOG's 25th Annual General Assembly is scheduled for June 23, 2016. Each member jurisdiction is provided one table with ten seats. Check with your City Manager to see if there are open seats available. This year's speaker is Julia Gillard, the former Prime Minister of Australia. The format of the event will be Q&A.

Ms. Ward also announced that the County of Riverside is hosting a conference in September regarding funding formulas for homelessness, transportation, and housing.

Ernie Reyna distributed a WRCOG memo to the cities regarding the need to identify the amounts that should be rolled over on the Fiscal Year (FY) 2015/2106 Transportation Improvement Program (TIP) to the FY 2016/2017 TIP.

Mr. Reyna announced that Marshall Eyerman, City of Moreno Valley, is looking for a Financial Resources Division Manager. Mr. Eyerman has been promoted to Chief Financial Officer.

8. NEXT MEETING

The next WRCOG Finance Directors' Committee meeting is scheduled for Thursday, July 28, 2016, at 10:00 a.m., in the County Administrative Center, 5th Floor, Conference Room C in Riverside.

9. ADJOURNMENT

The meeting of the WRCOG Finance Directors' Committee meeting adjourned at 11:10 a.m.

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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: WRCOG Financial Report Summary through June 2016

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.cog.ca.us, (951) 955-8432

Date: July 28, 2016

Requested Action:

1. Receive and file.
-

Attached is WRCOG's financial statement through June 2016.

Prior WRCOG Action:

None.

WRCOG Fiscal Impact:

This item is informational only; therefore there is no fiscal impact.

Attachment:

1. WRCOG Financial Report Summary – June 2016.

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Item 4.B

WRCOG Financial Report Summary
through June 2016

Attachment 1

WRCOG Financial Report Summary
– June 2016

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Western Riverside Council of Governments
Monthly Budget-to-Actuals
For the Month Ending June 30, 2016

	Approved FY 15/16 Budget	6/30/2016 Actual	Remaining Budget
Revenues			
Member Dues	\$ 298,910	\$ 298,910	\$ -
Government Relations	960	1,170	(210)
WRCOG HERO	1,489,005	1,489,005	-
WRCOG HERO Recording	440,800	440,800	-
WRCOG HERO Commercial	22,873	25,785	(2,912)
CA HERO	5,948,521	5,948,521	-
CA HERO Recording	1,593,055	1,593,150	(95)
Gas Company Partnershp	54,347	54,347	-
SCE WRELP	74,152	78,793	(4,641)
SCE Phase II & III	69,215	83,855	(14,640)
Solid Waste	91,370	91,370	-
Used Oil	258,015	233,015	25,000
Air Quality	140,500	140,500	-
SCAQMD	38,750	26,351	12,399
LTF	684,750	684,750	-
Other Miscellaneous	9,671	9,671	-
General Assembly	300,000	204,400	95,600
TUMF - 4% Administration	1,405,095	1,435,437	(30,342)
TUMF - Total Program less Admin	30,000,000	34,704,098	(4,704,098)
Fund Balance Carryover	2,234,871	-	2,234,871
Total Revenues	\$ 45,574,861	\$ 47,543,928	\$ (1,969,068)
Expenditures			
Salaries and Wages	\$ 1,892,595	\$ 1,830,016	62,579
Fringe Benefits	1,056,135	666,391	389,744
Overhead Allocation	1,500,089	1,375,082	125,007
General Legal Services	726,986	563,723	163,263
Audit Services	26,357	26,357	-
Bank Fees	81,357	81,357	0
Committee Per Diem	57,650	57,150	500
Interest Expense	57	57	0
Office Lease	140,000	133,898	6,102
Auto Fees Expense	232	232	(0)
Auto Maintenance Expense	48	48	0
Special Mail Services	2,741	2,741	(0)
Parking Validations	3,541	2,226	1,315
Staff Recognition	3,489	3,489	-
Event Support	150,287	133,834	16,453
General Supplies	31,920	21,535	10,385
Computer Supplies	9,779	7,063	2,716
Computer Software	23,740	20,402	3,338
Rent/Lease Equipment	27,871	29,711	(1,840)
Membership Dues	33,070	29,206	3,864
Subscriptions/Publications	6,589	6,589	-
Meeting Support Services	13,543	8,135	5,408
Postage	5,843	5,149	694
Other Household	2,447	2,447	(0)
COG Partnership Agreement	43,901	43,901	0
Storage	20,000	15,537	4,463
Printing Services	30,757	13,177	17,580
Computer/Hardware	5,859	5,858	1
Communications - Phone	4,146	4,146	0
Communications - Long Dist	1,200	1,059	141
Communications - Cellular	12,195	9,421	2,774
Communications - Comp Serv	17,142	12,680	4,462
Communications - Web Site	10,500	3,733	6,768
Equipment Maint - General	16,100	5,447	10,653
Equipment Maint-comp/Software	1,214	1,214	0
Insurance - Gen/Business Liasion	67,120	66,865	255
WRCOG Auto Insurance Expenses	1,883	1,883	-
County RIFMIS Charges	2,700	1,941	759
Data Processing Support	15,630	15,630	(0)
HERO Recording Fee	1,355,155	1,353,702	1,453
Seminars/Conference	16,075	12,290	3,785
General Assembly	300,000	117,506	182,494
Travel - Mileage Reimbursements	26,002	14,076	11,926
Travel - Ground Transportation	8,407	6,504	1,903
Travel - Airfare	31,095	28,380	2,715
Lodging	25,643	16,370	9,273
Meals	9,060	6,944	2,116
Other Incidentals	43,895	24,854	19,041
Training	3,343	647	2,696
Supplies/Materials	41,322	5,175	36,147
Newspaper Ads	8,730	4,500	4,230
Billboard Ads	5,000	3,823	1,177
Radio & TV Ads	90,748	89,262	1,486
Consulting Labor	2,310,176	1,879,789	430,387
Consulting Expenses	37,547	5,610	31,937
Gov Relations Reimbursement	243,237	243,237	0
Computer Equipment Purchase	60,588	55,313	5,275
Water Task Force Program	899	899	0
Motor Vehicles Purchased	33,037	33,037	(0)
TUMF Program less Admin Expenditures	28,800,000	31,506,189	(2,706,189)
Overhead transfer in	(1,500,000)	(1,375,082)	(124,918)
Transfer out to Reserve	5,140,260	5,140,260	-
Total Expenditures	\$ 43,214,947	\$ 44,382,613	\$ (1,167,666)



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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: WRCOG Finance Department Activities Update

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.cog.ca.us, (951) 955-8432

Date: July 28, 2016

Requested Action:

1. Receive and file.

Following is a schedule of finance-related activities for the remainder of the Fiscal Year.

Financial Audit

Financial auditors from Vavrinek, Trine, Day, and Co., have visited WRCOG's office, conducting the interim audit work for Fiscal Year 2015/2016. The auditors worked with WRCOG staff for three days to begin the process of reviewing the financial books, and will return in late September to conduct final fieldwork. The final portion of the audit will be scheduled during the week of September 26, 2016, and it is anticipated the audit will conclude in October or November 2016, with the final Comprehensive Annual Financial Report being issued shortly thereafter.

Budget Amendment

June 30, 2016, marked the end of the fourth quarter of Fiscal Year (FY) 2015/2016; the WRCOG Technical Advisory Committee will consider the amendment report at its July 21, 2016, meeting, and the WRCOG Executive Committee will consider the report at its August 1, 2016, meeting.

Annual TUMF Audit for FY 2015/2016

Letters will be transmitted to each jurisdiction during the month of August to schedule annual TUMF audit visits. The TUMF audits will commence in September 2016 and are anticipated to be completed in November 2016. The TUMF audits allow staff to ensure that jurisdictions are correctly calculating and remitting TUMF funds in compliance with the TUMF Program.

Prior WRCOG Action:

July 11, 2016: The WRCOG Executive Committee received report.

WRCOG Fiscal Impact:

This item is informational only; therefore, there is no fiscal impact.

Attachment:

None.



Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Selection of WRCOG Finance Directors' Committee Chair, Vice-Chair, and 2nd Vice-Chair Positions for Fiscal Year 2016/2017

Contact: Ernie Reyna, WRCOG Chief Financial Officer, reyna@wrcog.cog.ca.us, (951) 955-8432

Date: July 28, 2016

Requested Action:

1. *Select WRCOG Finance Directors' Committee Chair, Vice-Chair, and 2nd Vice-Chair positions for Fiscal Year 2016/2017.*
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Last year the WRCOG Finance Directors' Committee (FDC) took an action to have its Chair, Vice-Chair, and 2nd Vice-Chair positions match the WRCOG leadership for the year. The WRCOG Executive Committee approves its leadership nominations in June for adoption by the WRCOG General Assembly. For Fiscal Year 2016/2017, Council Member Ben Benoit, City of Wildomar, was selected to be the WRCOG Executive Committee Chair, Council Member Debbie Franklin, City of Banning, was selected as Vice-Chair, and Chuck Washington, County Supervisor, was selected as 2nd Vice-Chair. If the Finance Director's Committee follows suit with its appointments, the positions of Chair, Vice-Chair, and 2nd Vice-Chair for Fiscal Year 2016/2017 will be as follows:

Chair:	James Riley, City of Wildomar
Vice-Chair:	Michelle Green, City of Banning
2 nd Vice-Chair:	Ivan Chand, County of Riverside

Prior WRCOG Action:

None.

WRCOG Fiscal Impact:

There is no fiscal impact to WRCOG's Fiscal Year 2016/2017 Budget.

Attachment:

None.

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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Regional Streetlight Program Activities Update

Contact: Tyler Masters, Program Manager, masters@wrcog.coq.ca.us, (951) 955-8378

Date: July 28, 2016

Requested Action:

1. Recommend that the WRCOG Executive Committee recommend, for those jurisdictions interested in using financing for the acquisition and retrofitting of streetlights, utilize Bank of America (which was deemed the most responsive during the bid process by WRCOG staff and its Financial Advisor, Public Financial Management, for being able to provide the most competitive financing for the Regional Streetlight Program).

WRCOG's Regional Streetlight Program will assist member jurisdictions with the acquisition and retrofit of their Southern California Edison (SCE)-owned and operated streetlights. The Program has three phases, which include: 1) streetlight inventory; 2) procurement and retrofitting of streetlights; and 3) ongoing operations and maintenance. The overall goal of the Program is to provide significant cost savings to the member jurisdictions

Program Update

At the direction of the WRCOG Executive Committee, WRCOG is developing a Regional Streetlight Program that will allow jurisdictions (and Community Service Districts) to purchase the streetlights within their boundaries that are currently owned / operated by SCE. Once the streetlights are owned by the member jurisdiction, the lamps will then be retrofitted to Light Emitting Diode (LED) technology to provide more economical operations (i.e., lower maintenance costs, reduced energy use, and improvements in public safety). Local control of its streetlight system allows jurisdictions opportunities to enable future revenue generating opportunities such as digital-ready networks, and telecommunications and IT strategies.

The goal of the Program is to provide a cost effective way for local jurisdictions to purchase, retrofit, and maintain the streetlights within jurisdictional boundaries, without the need of additional jurisdictional resources. As a regional Program, WRCOG is working with each of the jurisdictions to move through the acquisition process, develop financing recommendations, develop / update regional and community-specific streetlight standards, and manage the regional operations and maintenance agreement that will increase the level of service currently being provided by SCE.

Acquisition Process Update: The keystone piece of the Program is the acquisition - or the purchasing - of streetlights by each jurisdiction. After acquisition, each jurisdiction will have the ability to unlock additional cost savings through LED retrofits while also paving the way for a potential "Smart-City" future. The process for an interested jurisdiction to acquire the SCE-owned streetlights within its boundaries is as follows:

- A. Payment of \$10,000 Initial Valuation fee (funded by WRCOG) to initiate the streetlight valuation process.
(Completed)
- B. SCE evaluation of streetlight systems in each of the 16 interested member jurisdictions' boundaries.

(Completed)

- C. SCE presentation of Streetlight Valuation Reports, an estimated streetlight sales price given the type, quantity, and material of streetlight poles and lamp fixtures in jurisdictional boundaries. (Completed)
- D. Jurisdictions confirm desire to move forward with the acquisition. The following provides a summary of the interest levels conveyed by the member jurisdictions.

After preliminary survey of all interested jurisdictions, jurisdictional staff has expressed interest in moving forward with acquisition and LED retrofit. Some jurisdictions have shared common comments / questions they would like WRCOG staff to continue to address as the process moves forward. All of these items are proactively being worked on and will continue to be addressed on a regional and jurisdiction-by-jurisdiction basis. These are summarized below:

- 1. "When will my jurisdiction be cash-flow positive; after acquisition and retrofit?"

Response: The specifics will be identified in each jurisdiction's cash-flow meetings; however, the intent of financing is that each jurisdiction will see no initial out-of-pocket expense, and the ongoing utilities bill savings realized after acquisition and LED retrofit will offset the financing repayment (debt service). In many cash flow scenarios, jurisdictions will be cash flow positive right away.

- 2. "Will the Program provide a higher level of service to my communities regarding streetlight maintenance needs (lamp burn-outs and pole knockdowns)?"

Response: Using localized service, communities will see improvements in response times for streetlight maintenance and repairs and with a centralized call center specific to the region, maintenance teams will be dispatched in an expeditious manner. Service will be tracked and regularly reported on a jurisdictional basis through WRCOG.

- 3. "Will the Program address if / how special districts, landscape and lighting maintenance districts, and/or community finance districts will be impacted per acquisition and LED retrofit of the jurisdiction's streetlights?"

Response: WRCOG is currently assessing the inventory of special districts in the WRCOG subregion, and working with legal counsel to identify if / how financing acquisition and retrofit of these streetlights will impact these districts / special assessments.

- 4. "What level of impact will this Program have on current jurisdiction resources?"

Response: The purpose of the regional approach is to achieve multiple administrative, operational, and maintenance cost efficiencies that will mitigate or avoid any impact to a jurisdiction's current resources. After acquisition, LED retrofit, and ongoing operations and maintenance, the WRCOG subregion could save an estimated \$5 million per year in utility bill costs, a large reduction from the current \$10.3 million WRCOG member jurisdictions currently pay for these streetlights.

- E. SCE and each interested jurisdiction submit their Agreement, for approval, to the California Public Utilities Commission (CPUC). The following provides an update on the purchase and sales agreement and it is anticipated that member jurisdictions will begin this process in late-2016.

Purchase and sales agreement update: Currently, the City of Lancaster is the only City in the SCE territory to complete the acquisition process from start to finish. On March 18, 2016, the CPUC approved Lancaster's final Purchase and Sales Agreement. SCE intends to use this Agreement as the template for future acquisition efforts. This Agreement defines the exact number and costs of the streetlights and the timeline of the acquisition process. In order to finalize the acquisition process, each interested WRCOG member jurisdiction will need to enter into an Agreement with SCE that will then be approved by the CPUC. To assist its members with the Agreement piece of the transaction, WRCOG, its consultants, and Best Best & Krieger have reviewed and submitted questions, concerns, and issues regarding the template agreement

to SCE. WRCOG is currently awaiting SCE's response to the comments. Once the Agreement is revised for the subregion, WRCOG will provide a copy to the jurisdictions for their additional review and comment. It is anticipated that this process will be completed within the next two months.

- F. Upon completion of the sale, SCE and the local jurisdiction will begin the transition of the streetlight from SCE to jurisdiction-owned streetlight. It is anticipated that this will begin in early 2017. The following provides an update on the financing mechanism that will be used to complete this task.

Cash-flow meeting update: WRCOG staff has conducted streetlight cash flow meetings with the Cities of Calimesa, Eastvale, Hemet, Lake Elsinore, Menifee, Murrieta, Norco Perris, San Jacinto, Temecula, Wildomar, the County of Riverside and with the Rubidoux and Jurupa Community Services Districts. Meetings with remaining jurisdictions have yet to be scheduled.

The purpose of the cash-flow meetings is to provide the jurisdictional staff (i.e., Finance Director, manager, senior staff, etc.) with the financial information needed for staff to make a recommendation on whether to move forward with the Program. WRCOG has developed a feasibility model that includes a variety of financial sensitivities, including utility cost reduction, energy cost reductions, operations and maintenance costs (including pole knockdown replacement costs), debt service of ownership, and LED retrofit for each jurisdiction's streetlight system, and also includes a re-lamp reserve. The re-lamp reserve is a reserve that each jurisdiction can configure to set aside funds to ensure that in 15 years (when the LED streetlights begin to wear out) each jurisdiction will have funds to retrofit to the next generation of energy efficient street lighting, without negatively impacting the jurisdiction's general fund.

Financing Update: On July 28, 2016, Public Financial Management (PFM) will provide a presentation on the financing portion of the Program. WRCOG staff is also requesting that the WRCOG Finance Directors recommend the use of Bank of America to the WRCOG Executive Committee, for those jurisdictions electing to use financing during the acquisition and retrofitting of its streetlights.

As way of background, on March 7, 2016, WRCOG released a Request for Bids (RFB) to select a financing vendor that would provide capital to member jurisdictions for the acquisition process at a competitive rate. WRCOG staff and its Financial Advisor, PFM, have been working with Bank of America, which was deemed the most responsive and best option during the bid process and meeting the needs of the Program. Bank of America has proven to have the following:

1. Ability to provide financing to all participating jurisdictions in the Program
2. Provide financing for both purchase and LED retrofit
3. Streetlights accepted as sole collateral
4. Able to finance as either taxable or tax-exempt debt
5. Smart City usage permitted
6. The qualifications and experience of the proposing firm
7. Competitive fee proposal for all jurisdictions

Regional Demonstration Area Update: WRCOG will be conducting a Regional Streetlight Demonstration Area in five different locations in the City of Hemet to showcase various LED streetlights from nine different vendors. The City currently has the largest number of City-owned streetlights that can easily be retrofitted with LED lights. The Demonstration Areas incorporates multiple land use types (residential, commercial, industrial, etc.) that stakeholders will be able to view and provide feedback. The Demonstration Areas will allow community stakeholders (i.e., jurisdictional elected officials and staff, engineers, public safety personnel, community and environmental groups, and residents), inside and outside the Western Riverside County area, to experience and provide feedback on a variety of LED lights in a "real-life" context.

To gain additional input, staff will coordinate multiple educational tours for stakeholders in October/November 2016. The use of electronic and physical surveys will be used to gain feedback from the public. Results from the surveys will be used to assess preferences of the LED lights and rank the selection of viable LED lights to use for the Program. Additionally, the Streetlights will be marked with a designated pole tag to help stakeholders identify which lights are or are not part of the Program.

A media kit is being developed and will include sample press releases, brochures and informational items, a “frequently asked questions” sheet, signage, social media language, and a map of the Demonstration Areas. The media kit will be available for all member jurisdictions to distribute to their community by late August 2016.

While the lights will be installed by the end of July 2016, the Demonstration Areas will officially kick-off on September 1, 2016 and will be active through early 2017.

The following is a map depicting Demonstration Area locations and a sample of the streetlight pole identification tag that will be used.



Map of Demonstration Areas



City of Hemet streetlight pole identification tag on the left.

Demonstration Area streetlight identification tag on the right.

Prior WRCOG Actions:

July 14, 2016: The WRCOG Public Works Committee received report.
July 14, 2016: The WRCOG Planning Director's Committee received report.
July 11, 2016: The WRCOG Administration & Finance Committee received report.
June 6, 2016: The WRCOG Executive Committee received report.

WRCOG Fiscal Impact:

Activities for the Regional Streetlight Program are included in the Agency's adopted Fiscal Year 2015/2016 and 2016/2017 year Budgets.

Attachment:

None.

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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Governmental Accounting Standards Board Pronouncement Statement Number 72 Presentation

Contact: Terry Shea, Partner, Rogers, Anderson, Malody & Scott, terry@ramscpa.net, (909) 413-2879

Date: July 28, 2016

Requested Action:

1. Receive and file.

This item is reserved for a presentation by Terry Shea, Partner of Rogers, Anderson, Malody & Scott. who will provide an update on Governmental Accounting Standards Board Pronouncement Statement Number 72.

Prior WRCOG Action:

None.

WRCOG Fiscal Impact:

This item is informational only; therefore there is no fiscal impact.

Attachment:

None.