



Western Riverside Council of Governments Finance Directors' Committee

AGENDA

**Thursday, September 22, 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 (James Riley, 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 agenda 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 July 28, 2016, WRCOG Finance Directors' Committee meeting are available for consideration. P. 1

Requested Action: 1. Approve Summary Minutes from the July 28, 2016, WRCOG Finance Directors' Committee meeting.

- B. WRCOG Financial Report Summary through August 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. Distribution of Fiscal Year 2015/2016 Agency Carryover Funds Jennifer Ward, WRCOG P. 15

Requested Action: 1. Receive and file.

- B. TUMF Financial and Programming Review Christopher Gray, WRCOG P. 17

Requested Action: 1. Receive and file.

- C. Five-Year Expenditure Report Christopher Gray, WRCOG P. 19

Requested Action: 1. Receive and file.

- D. The Implications of Flores vs. Gabriel Isabel Safie, Best Best & Krieger P. 29

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, November 10, 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 10:05 a.m. by James Riley at the County Administrative Center, 5th Floor in Conference Room C.

2. SELF INTRODUCTIONS

Members present:

Michelle Green, City of Banning
Kerry Eden, City of Corona
James Riley, Cities of Eastvale and Wildomar
Alan Kreimeier, City of Jurupa Valley (departed 11:27 a.m.)
Marshall Eyerman, City of Moreno Valley
Mark Reister, City of Murrieta
Matthew Schenk, March Joint Powers Authority (departed 11:27 a.m.)

Staff present:

Ernie Reyna, Chief Financial Officer
Tyler Masters, Program Manager
Andrew Ruiz, Accounting Manager
Lupe Lotman, Executive Assistant

Guests present:

Candace Cassel, City of Moreno Valley
Laura Franke, Public Financial Management (PFM)
Felicia Williams, PFM
Warren Diven, Best Best & Krieger
Phil Bowman, Muni-Fed Energy
Scott Manno, Rogers, Anderson, Malody & Scott (RAMS)
Brad Welebir, RAMS

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR – (Schenk/Green) 8 yes; 0 no; 0 abstention. Items 4.A through 4.C were approved by the Committee as a whole. The Cities of Calimesa, Canyon Lake, Hemet, Lake Elsinore, Menifee, Norco, Perris, Riverside, San Jacinto, Temecula, the County of Riverside, the Eastern Municipal Water District, the Western Municipal Water District, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

A. Summary Minutes from the May 26, 2016, WRCOG Finance Directors' Committee meeting.

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

B. WRCOG Financial Report Summary through June 2016

Action: 1. Received and filed.

C. WRCOG Finance Department Activities Update

Action: 1. Received and filed.

5. REPORTS/DISCUSSION

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

Action: 1. Selected James Riley, City of Wildomar as Chair, Michelle Green, City of Banning as Vice-Chair, and Ivan Chand, County of Riverside as 2nd Vice-Chair for Fiscal Year 2016/2017.

(Kreimeier/Eyerman) 8 yes; 0 no; 0 abstention. Item 5.A was approved by the Committee as a whole. The Cities of Calimesa, Canyon Lake, Hemet, Lake Elsinore, Menifee, Norco, Perris, Riverside, San Jacinto, Temecula, the County of Riverside, the Eastern Municipal Water District, the Western Municipal Water District, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

B. Regional Streetlight Program Activities Update

Tyler Masters reported that the Regional Streetlight Program is intended to support WRCOG jurisdictions through the acquisition of streetlights within their boundaries from Southern California Edison (SCE). WRCOG is also assisting in updating of streetlight standards, as well as supporting the retrofit, maintenance, and operations of the streetlight systems once acquired by the jurisdictions. Mr. Masters indicated that a few years ago, it was brought to WRCOG's attention that the streetlights owned by SCE were a large item cost to the member agencies.

Laura Franke reported that PFM, Financial Advisor on this Program, has been working through cash flow models to determine Program feasibility. PFM is working with Muni-Fed Energy and Southern Contracting in order to obtain the correct cost of LED lamps. The current utility cost is in the models that were prepared and shared. A new tariff rate just came out and will be included with the cash flow model for discussion in August. PFM is recommending a re-lamp reserve be accounted for in the cash flow models so that member jurisdictions are prepared for lighting retrofits / upgrades 15 years in the future.

Financing is being researched to cover both the acquisition and LED retrofits. WRCOG and PFM solicited for a single provider with a defined financing approval process. Credit, pricing, and flexibility were some of the goals. Taxable versus tax-exempt financing are being considered and a taxable rate is highly recommend, so that the member agencies have the ability to "rent" space on poles in order to receive revenue. PFM has also ensured that collateral for the loan is only the streetlights purchased; member jurisdictions will not be required to put up additional security (City Hall, etc.).

Direct placement lease is the financing option that is the most appropriate. Other options included WRCOG-issued bond, individual city-issued bond, CLEEN at CA IBank, and the California Energy Commission. Direct placement lease has flexible timing, single set documents, taxable / tax-exempt and market rates aligned to borrower and timing benefits. This will require that each city is priced individually; therefore, there will be variation in cost within each city. Best Best & Krieger, WRCOG General Counsel, will negotiate and preapprove documents.

Committee member Marshall Eyerman asked what length term of the lease is being considered.

Ms. Franke replied 15 years.

Committee member Eyerman then asked if there was any discussion on extending that or not.

Ms. Franke replied that there could be an option to extend the 15-year term but that the operating belief from the lenders is that LED has a 15-year life.

Chairman Riley asked if the local jurisdiction will own the lights at the end of the 15-year period.

Ms. Franke replied that the city will own the lights at the end of 15-year term. The city will actually own the poles the entire term of the lease.

A notice of solicitation was sent to 56 firms, and the Request for Bids was also open to the public. Four firms (Bank of America Public Capital Corp., BBVA Compass, SolarMax, and Wulff, Hansen / Hannon Armstrong) provided written responses. The desired components were listed in a handout, which was also emailed to the members in advance for review. Bank of America was selected as the primary choice of funding partner.

At closing, the funds will be deposited and available for disbursement at the cities' discretion. Funds will be held by the trustee and WRCOG will be the administrator on behalf of the cities.

Felicia Williams indicated that the streetlight operations and maintenance (O&M) is paid through an annual assessment with some type of lighting district in Riverside County. PFM took the Assessors list of 2,000 districts and zones and narrowed it down to about 136, which covers lighting and O&M on an annual basis. These districts are made up of Landscape and Lighting Maintenance Districts, County Service Areas, and Community Facilities Districts (CFD).

During the cash flow meetings recently held with member jurisdictions, it was asked how these special districts might be impacted. Ms. Williams indicated that payments are being collected. Additional questions included, will it change the assessment and will that trigger Proposition 218? PFM is determining if a district, the way it is currently set up under legislation, be used to finance the acquisition of lights, as well as the retrofit to LED, and if so, how would the O&M be paid on an annual basis. PFM is also determining if payments will be paid and/or reimbursed to the city and if that covers the annual O&M, as well as a reserve for the relamp of the lights.

Warren Diven indicated that the question of how the acquisition of streetlights and LED retrofit can be financed. The O&M is financed. The Landscaping and Lighting Maintenance Districts (LLMD) will normally have an engineering report that is approved or adopted by the City Council and then an annual engineering report is formed. In those reports, there is a summary of the authorize uses of those assessments. Under the Landscaping and Lighting Act of 1972, the cities are able to propose new improvements each year when the annual report is taken to City Council. If it is able to determine the financing of the streetlights without increasing the assessments within a district, you can propose to add the acquisition of streetlights as a new improvement within the LLMD. The key is, will the acquisition of the streetlights trigger the need of increase for an assessment? If the property does go up, it will probably have to go through a Proposition 218 process.

Committee member Eyerman asked if the Act of '72 public hearing would piggy back on Compliance, Safety and Accountability.

Mr. Diven replied the he would have to research that, and would be happy to work with city attorneys or consultants.

Ms. Franke indicated that today's recommendation will be going to the WRCOG Administration & Finance and Technical Advisory Committees, and a final recommendation to the WRCOG Executive Committee for approval on September 12, 2016. The notice of award will follow in September. City Council approvals can begin in October. Funds will be received by individual cities at closing as early as November.

Committee member Eyerman asked if the financing structure is contingent on the savings of the streetlights, which a component of that is the O&M, how that is correlating in the finance or the cities committing to that maintenance structure.

Ms. Franke replied that it will depend on the timing of the maintenance contract. The lender is not requiring the O&M contract as part of their transaction at this point. It is the Programs intention to manage the O&M across the Program. That level of detail has not been discussed yet. At this point, it is not made a requirement that is entered into simultaneously.

Chairman Riley asked when the cities will find out if they can use their LED for CFD monies.

Mr. Diven replied that we would have to wait until the information from the cities is received.

Ms. Franke replied that the financing will be there. All questions will be answered before the city enters into their agreement.

Action: 1. *Recommended 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.*

(Schenk/Kreimeier) 8 yes, 0 no, 0 abstention. Item 5.B was approved by the Committee as a whole. The Cities of Calimesa, Canyon Lake, Hemet, Lake Elsinore, Menifee, Norco, Perris, Riverside, San Jacinto, Temecula, the County of Riverside, the Eastern Municipal Water District, the Western Municipal Water District, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

C. Governmental Accounting Standards Board Pronouncement Statement Number 72 Presentation

Scott Manno provided and distributed a general Governmental Accounting Standards Board (GASB) update and presentation. Mr. Manno explained that RAMS wanted to provide the Committee with a resource to take back and share with their staff. Mr. Manno gave a quick overview on:

- GASB 68, 71, 72 and 73 - Pensions
- GASB 72 – Fair Value Measurement and Application
- GASB 74 and 75 – Other Post-employment Benefits (OPEB) (2018)
- GASB 76 – Generally Accepted Accounting Principles Hierarchy (2016)
- GASB 77 – Tax Abatement Disclosures (2017)
- GASB 79 – Accounting and Financial Reporting for Certain External Investment Pools and Pool Participants. (2016)

Mr. Manno provided GASB implementation timeline and dates. Mr. Manno explained that GASB 68 covers pensions involved in a trust, whereas GASB 73 is meant to apply to all other situations in plans that are not in trust. GASB 73 is an Amendment to GASB 67 and 68, which

is required supplemental information. Examples are changes in investment policies and market values. GASB 78 is an accounting and financial reporting for pensions provided through certain multiple-employer defined benefit plans. It is when another entity is involved. GASB 82 clarifies covered payroll, which employee contributions are made to a pension plan, clarification of assumptions, and compliance issues for employer-paid member contributions. For reference, there are 11 new questions and answers in the implementation guide.

Statement 72 is regarding all the investments reported at fair value and additional disclosures of what is new for this year. Investments are being reported in levels. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; basically an exit price. Market-based are other characteristics. The price is not adjusted for transaction costs. An orderly transaction means it is not a forced transaction; that it is willing. Market participants are buyers and sellers that are in the principal market for an asset or liability. The measurement date is fiscal year end. Fair value hierarchy has three levels of determination; 1) market, 2) costs, and 3) income approaches. The definition of an investment is a security or other asset that a government holds primarily for the purpose of income or profit. An investment is held primarily for the purpose of income or profit. Deposits with the U.S. Treasury are not considered investments. Money markets, Rule 2a-7, and life insurance are excluded. Income revenue equals investment incoming plus changes in fair market value. A sample disclosure was provided for reference; the more independent the evaluation, the better the estimate. Sometimes a third party is involved for evaluation. Auditors will look for standard investment internal controls testing. The first thing to do is to talk to your bank, custodian, or managers to assist in providing this information. Consider pricing and prepare your note of disclosure by level.

GASB 74 and 75 are effective in 2018 and mirrors pension standards. It is an additional liability. It effects government wide statements, not cash flow. There is an exposure draft.

GASB 76 is active this year. It has been clarified that there are only two authoritative categories; 1) GASB Statements and 2) Other. Everything else is non-authoritative.

GASB 77 will be active in 2017. It applies only to transactions with tax abatement, which is a reduction in taxes.

GASB 79 refers to a Rule 2a7-like external investment pool that follows SEC valuation and disclosure. LAIF and the County pool does not follow this. Shadow pricing must be met. A shadow price is the net asset value per share of the pool using total investment at fair value at calculation date.

Chairman Riley asked if GASB 72 replaces GASB 31.

Mr. Manno replied that it replaces elements of it and the way to determine the fair value will be different using 72.

Action: 1. *Received and filed.*

6. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

7. GENERAL ANNOUNCEMENTS

Kerry Eden asked the Committee members what their City is doing regarding the Ninth Circuit Ruling on overtime. Committee member Eden is very interested in knowing how the other agencies are handling the federal law change effective July 1, 2016, and how is it being implemented with other employees.

Ernie Reyna indicated that he would send out a SurveyMonkey to member jurisdiction to see how they are handling this particular issue.

8. NEXT MEETING

The next WRCOG Finance Directors' Committee meeting is scheduled for Thursday, September 22, 2016, at 10:00 a.m., in the County Administrative Center, 3rd Floor, Conference Room "A" in Riverside.

9. ADJOURNMENT

The meeting of the WRCOG Finance Directors' Committee meeting adjourned at 11:46 a.m.



Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: WRCOG Financial Report Summary through August 2016

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

Date: September 22, 2016

Requested Action:

1. Receive and file.
-

Attached is WRCOG's financial statement through August 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 – August 2016.

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Item 4.B

WRCOG Financial Report Summary
through August 2016

Attachment 1

WRCOG Financial Report
Summary – August 2016

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Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending August 31, 2016

		Approved 6/30/2017 Budget	Thru 8/31/2016 Actual	Remaining 6/30/2017 Budget
Revenues				
40001	Member Dues	309,410	306,410	3,000
40601	WRCOG HERO	1,963,735	263,351	1,700,384
40604	CA HERO	7,615,461	1,217,328	6,398,133
40607	WRCOG HERO Commercial	25,000	756	24,244
40611	WRCOG HERO Recording Revenue	335,555	73,620	261,935
40612	CA HERO Recording Revenue	1,301,300	301,745	999,555
41201	Solid Waste	93,415	93,415	(0)
41401	Used Oil Opportunity Grants	200,000	24,093	175,907
41402	Air Quality-Clean Cities	139,500	128,000	11,500
43001	Commercial/Service - Admin (4%)	37,074	5,952	31,122
43002	Retail - Admin (4%)	142,224	16,212	126,012
43003	Industrial - Admin (4%)	128,446	3,035	125,411
43004	Residential/Multi/Single - Admin (4%)	1,067,271	69,130	998,141
43005	Multi-Family - Admin (4%)	224,983	3,489	221,494
43001	Commercial/Service	889,786	142,855	746,931
43002	Retail	3,413,375	389,090	3,024,285
43003	Industrial	3,082,710	72,849	3,009,861
43004	Residential/Multi/Single	25,614,514	1,659,125	23,955,389
43005	Multi-Family	5,399,595	83,745	5,315,851
	Total Revenues	60,858,676	4,854,202	56,004,473
Expenditures				
Wages and Benefits				
60001	Wages & Salaries	1,993,083	288,776	1,704,307
61000	Fringe Benefits	579,799	104,711	475,088
	Total Wages and Benefits	2,632,882	393,487	2,239,396
General Operations				
63000	Overhead Allocation	1,518,136	253,022	1,265,114
65101	General Legal Services	405,750	93,523	312,227
65505	Bank Fees	25,500	159	25,341
65507	Commissioners Per Diem	45,000	7,650	37,350
73001	Office Lease	145,000	22,426	122,574
73107	Event Support	183,000	8,906	174,094
73108	General Supplies	22,750	1,277	21,473
73109	Computer Supplies	7,500	649	6,851
73110	Computer Software	13,000	50	12,950
73111	Rent/Lease Equipment	25,000	1,643	23,357
73113	Membership Dues	40,600	6,330	34,270
73115	Meeting Support/Services	13,750	700	13,050
73116	Postage	5,600	312	5,288
73117	Other Household Expenditures	2,100	1,262	838
73122	Computer Hardware	4,000	238	3,762
73201	Communications-Regular	2,000	140	1,860
73203	Communications-Long Distance	1,200	38	1,162
73204	Communications-Cellular	10,863	846	10,017
73206	Communications-Comp Sv	17,000	10	16,990
73302	Equipment Maintenance - Computers	2,000	3,267	(1,267)
73405	Insurance - General/Business Liason	63,170	28,270	34,900
73601	Seminars/Conferences	25,050	175	24,875
73611	Travel - Mileage Reimbursement	22,433	1,216	21,217
73612	Travel - Ground Transportation	9,985	270	9,715
73630	Meals	8,850	234	8,616
73640	Other Incidentals	13,550	1,176	12,374
73706	Radio & TV Ads	44,853	5,000	39,853
XXXXX	TUMF Projects	38,399,980	6,240,841	32,159,138
85101	Consulting Labor	3,523,948	36,375	3,487,573
XXXXX	Overhead Transfer In	(1,518,136)	(253,023)	(1,265,113)
	Total General Operations	57,402,253	6,463,424	50,938,829
Total Expenditures		60,035,135	6,856,910	53,178,225



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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: September 22, 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, & Co., have conducted their interim audit work for Fiscal Year (FY) 2015/2016. The auditors worked with WRCOG staff to begin the process of reviewing the financial ledgers, 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. 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

September 30, 2016, will mark the end of the first quarter of FY 2016/2017, and the WRCOG Administration & Finance Committee will be presented with the budget amendment report at its October 12, 2016, meeting. The WRCOG Technical Advisory Committee will also consider the amendment report at its October 20, 2016, meeting. The WRCOG Executive Committee will consider the amendment report at its November 7, 2016, meeting.

Annual TUMF Audit for FY 2015/2016

Letters have been transmitted to each member agency during the month of August to schedule the annual TUMF audit visits. This process will include a follow up email to the Agencies Finance and Public Works Directors confirming the date and time of their respective audits. TUMF audits will then commence in September and are anticipated to be completed by November 2016. The TUMF audits allow staff to ensure that member agencies are correctly calculating and remitting TUMF funds in compliance with the TUMF Program.

Prior WRCOG Actions:

August 18, 2016: The WRCOG Technical Advisory Committee received report.

August 10, 2016: The WRCOG Administration & Finance 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: Distribution of Fiscal Year 2015/2016 Agency Carryover Funds

Contact: Jennifer Ward, Director of Government Relations, ward@wrcog.cog.ca.us, (951) 955-0186

Date: September 22, 2016

Requested Action:

1. Receive and file.

Fiscal Year 2015/2016 Agency Carryover Funds

Net HERO Revenue ("Agency Carryover Funds") that have been identified as distributable to the Member Agencies from Fiscal Year (FY) 2015/2016 total \$4.3 million. In June 2016, the WRCOG Executive Committee approved the following allocations for FY 2015/2016 Agency Carryover funds:

1. Contribution to WRCOG Agency Reserves = \$400,000
2. BEYOND Framework Fund – Round II = \$2.0 million
3. Support for Healthy Communities Activities = \$100,000
4. Funding for WRCOG Agency Activities = \$700,000

An Agency Carryover Funds Ad Hoc Committee was established to discuss the allocation of the remaining \$1.1 million of FY 2015/2016 Carryover Funds. The Ad Hoc Committee met on August 22, 2016, and its discussion resulted in the following recommendation: allocate \$250,000 towards a comprehensive, regional economic development initiative for Western Riverside County, and allocate the remaining \$850,000 to Agency Reserves, with the caveat that some of these funds could be applied towards the WRCOG Sustainability Center concept / project.

Regarding \$250,000 for an economic development initiative, the Ad Hoc Committee recommended that WRCOG staff convene a committee of economic development representatives from each member agency in Western Riverside County, along with the Riverside County Economic Development Agency and other relevant parties.

Other items that the Ad Hoc Committee discussed included 1) the allocation formula for Round II of the BEYOND Framework Fund; 2) allocation methods for \$200,000 set aside to incentivize collaborative projects between member agencies; and 3) allocation methods for \$100,000 set aside to incentivize local healthy community initiatives.

WRCOG staff will provide a detailed presentation to the WRCOG Administration & Finance Committee at its October meeting to allow for discussion by the members and provision of a recommendation to the WRCOG Executive Committee.

Prior WRCOG Action:

September 14, 2016: The WRCOG Administration & Finance 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: TUMF Financial and Programming Review

Contact: Christopher Gray, Director of Transportation, gray@wrcog.cog.ca.us, (951) 955-8304

Date: September 22, 2016

Requested Action:

1. Receive and file.

WRCOG's Transportation Department is comprised of the Transportation Uniform Mitigation Fee (TUMF) Program, the Active Transportation Plan, and the Western Riverside County Clean Cities Coalition. The TUMF Program is a regional fee program designed to provide transportation and transit infrastructure that mitigates the impact of new growth in Western Riverside County. As administrator of the TUMF Program, WRCOG allocates TUMF to the Riverside County Transportation Commission (RCTC), groupings of jurisdictions – referred to as TUMF Zones – based on the amounts of fees collected in these groups, and the Riverside Transit Agency (RTA). The TUMF Zone Transportation Improvement Programs (TIP) identify the projects that are programmed for TUMF funding for the planning, engineering, right-of-way, and construction phase. The TIPs are updated on an annual basis and provide jurisdictions the opportunity to review project priorities.

2016 TUMF TIP Update

The TIP Update occurs in the fall after the close of the financial year-end for the TUMF Program Fiscal Year (FY). For FY 2015/2016, staff has prepared and will distribute Project Worksheets associated with projects programmed on the Zone TIPs for jurisdictions to review and make any necessary adjustments for each programmed project, to be updated, signed by the jurisdiction's Public Works Director / City Engineer, and returned to WRCOG. Because this is a full biennial TIP review, jurisdictions may request additional funding and/or added projects to the TIPs if there is sufficient revenue to support the additional programmed funding. The TUMF Program is not intended to fund the full cost of any project, so securing additional non-TUMF funding sources is important in the delivery of projects on the Zone TIPs.

The table below details the TUMF which Zones will have to program over the next five years, which excludes TUMF that is currently programmed on the Zone TIPs.

TUMF Zone	FY15/16 Revenue	FY16/17-FY20/21 Revenue	Carryover Revenue
Central Zone	\$5 Million	\$25 Million	\$17 Million
Hemet/San Jacinto Zone	\$1 Million	\$5 Million	\$4 Million
Northwest Zone	\$8 Million	\$40 Million	\$10 Million
Pass Zone	\$100 Thousand	\$500 Thousand	\$230 Thousand
Southwest Zone	\$5 Million	\$25 Million	\$26 Million

With the WRCOG Executive Committee's September 2015 action to delay finalizing the TUMF Nexus Study, staff has developed options for jurisdictions to consider when programming TUMF funding during the 2016 TUMF TIP update. The options are as follows:

- Facilities that were added to the TUMF Network during the 2016 Nexus Study update may be programmed for TUMF funding on the Zone TIPs. Although these facilities can be programmed on the Zone TIPs, a Reimbursement Agreement cannot be executed between the jurisdiction and WRCOG until action is taken on the 2016 Nexus Study update;
- Any TUMF funding that is programmed on the Zone TIPs is constrained to the identified Maximum TUMF Share included in the 2009 TUMF Nexus Study; and
- Additional TUMF funding can be requested for programming in future TIP updates if the Maximum TUMF Share identified in the 2016 TUMF Nexus Study has increased.

Below is an estimated schedule of the TIP update that will occur this fall:

- September / October 2016 – the Project Adjustment worksheets and Draft 2017 TIPs will be e-mailed to the Zone TAC members requesting latest updates.
- Mid-October 2016 – final date for the updated signed worksheets to be e-mailed back to WRCOG staff. Staff will develop a Draft 2017 Zone TIP, with adjustment requests, final FY forecast, interest, carryover numbers, and distribute electronically to TAC members.
- October / November 2016 – Zone TAC meetings for consensus and final TIP fund balance.
- November / December 2016 – Zone Committee of elected officials to provide final recommendation to the Executive Committee to adopt the Zone TIPs.
- February 2017 – Executive Committee to adopt all TIPs. The adopted 5-Year Zone TIPs will be forwarded to all jurisdictions in February 2017.

TUMF Contributions to Completed Projects

Since Program inception in 2003, TUMF has contributed funding to complete 87 projects from the TUMF Regional System of Highways and Arterials, totaling more than \$320 million in TUMF contributions. Total TUMF contributions have resulted in more than \$1 billion in infrastructure improvements to the subregion.

Prior WRCOG Action:

September 8, 2016: The WRCOG Public Works 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: Five-Year Expenditure Report

Contact: Christopher Gray, Director of Transportation, gray@wrcog.cog.ca.us, (951) 955-8304

Date: September 22, 2016

Requested Action:

1. Receive and file.

WRCOG's Transportation Department is comprised of the Transportation Uniform Mitigation Fee (TUMF) Program, the Active Transportation Plan, and the Western Riverside County Clean Cities Coalition. The TUMF Program is a regional fee program designed to provide transportation and transit infrastructure that mitigates the impact of new growth in Western Riverside County. As administrator of the TUMF Program, WRCOG allocates TUMF to the Riverside County Transportation Commission (RCTC), groupings of jurisdictions – referred to as TUMF Zones – based on the amounts of fees collected in these groups, and the Riverside Transit Agency (RTA). As a requirement of the Mitigation Fee Act, WRCOG prepares a report to document expenditures related to TUMF funds.

Five-Year Expenditure Report

The Mitigation Fee Act (AB 1600) requires that mitigation fees document the expenditure of funds every five years and requires that WRCOG make the below findings.

For the fifth fiscal year following the first deposit into the account or fund, and every five years thereafter, the local agency shall make all of the following findings with respect to that portion of the account or fund remaining unexpended, whether committed or uncommitted:

1. Identify the purpose to which the fee is to be used;
2. Demonstrate a reasonable relationship between the fee and the purpose for which it is charged;
3. Identify all sources and amounts of funding anticipated to complete financing in incomplete improvements identified in paragraph (2) of subdivision (a); and
4. Designate the approximate dates on which the funding referred to in paragraph (3) is expected to be deposited into the appropriate account or fund.

WRCOG, RCTC, and RTA have programmed all of the funding and are currently expending those dollars to deliver projects in Western Riverside County consistent with AB 1600 requirements.

Rodriguez Consulting Group (RCG) is in the process of finalizing the expenditure report containing the following statistics:

- Cumulative net revenues through Fiscal Year (FY) 2014/2015 are \$679 million (\$642 million in gross receipts; \$54 million in interest; and \$17 million in refunds);
- Programmed and expended funding through FY 2014/2015 is approximately \$600 million; forecasted through FY 2019/2020 is \$154 million. This includes funding for the TUMF Zone, RCTC, RTA, the Western

- Riverside Regional Conservation Agency, and WRCOG for the administration of the TUMF Program;
- The fund balance at the end of FY 2014/2015 was \$84.1 million, which exceeds one year of TUMF revenue; and
- Revenue for FY 2015/2016 is anticipated to be \$41 million, and revenue through FY 2019/2020 is forecasted at \$43 million.

Additionally, RCG has identified recommendations for consideration to streamline the data collection process and improve program effectiveness. The recommendations are as follows:

- Use Programming rather than Expenditures as the basis for future Expenditure Reports;
- Standardize programming data for all program partners for timely expenditure reporting;
- Establish policy on timely use of funds and “uncommitted fund balance” maximum;
- Reconcile Zone programming and repayment from Regional components for backbone; and
- Multiple Species Habitat Conservation Program Programming CIP.

Prior WRCOG Action:

September 8, 2016: The WRCOG Public Works Committee received report.

WRCOG Fiscal Impact:

The Five-Year Expenditure Report activities are included in the Agency’s adopted Fiscal Year 2016/2017 Budget under the Transportation Department.

Attachment:

1. WRCOG TUMF Five-Year Expenditure Report Presentation.

Item 5.C

Five-Year Expenditure Report

Attachment 1

WRCOG TUMF Five-Year Expenditure Report Presentation

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WRCOG TUMF FIVE-YEAR EXPENDITURE REPORT

Public Works Committee
September 8, 2016



REPORT REQUIREMENTS

(1) FOR THE FIFTH FISCAL YEAR FOLLOWING THE FIRST DEPOSIT INTO THE ACCOUNT OR FUND, AND EVERY FIVE YEARS THEREAFTER, THE LOCAL AGENCY SHALL MAKE ALL OF THE FOLLOWING FINDINGS WITH RESPECT TO THAT PORTION OF THE ACCOUNT OR FUND REMAINING UNEXPENDED, WHETHER COMMITTED OR UNCOMMITTED:

(A) IDENTIFY THE PURPOSE TO WHICH THE FEE IS TO BE PUT.

(B) DEMONSTRATE A REASONABLE RELATIONSHIP BETWEEN THE FEE AND THE PURPOSE FOR WHICH IT IS CHARGED.

(C) IDENTIFY ALL SOURCES AND AMOUNTS OF FUNDING ANTICIPATED TO COMPLETE FINANCING IN INCOMPLETE IMPROVEMENTS IDENTIFIED IN PARAGRAPH (2) OF SUBDIVISION (A).

(D) DESIGNATE THE APPROXIMATE DATES ON WHICH THE FUNDING REFERRED TO IN SUBPARAGRAPH (C) IS EXPECTED TO BE DEPOSITED INTO THE APPROPRIATE ACCOUNT OR FUND.

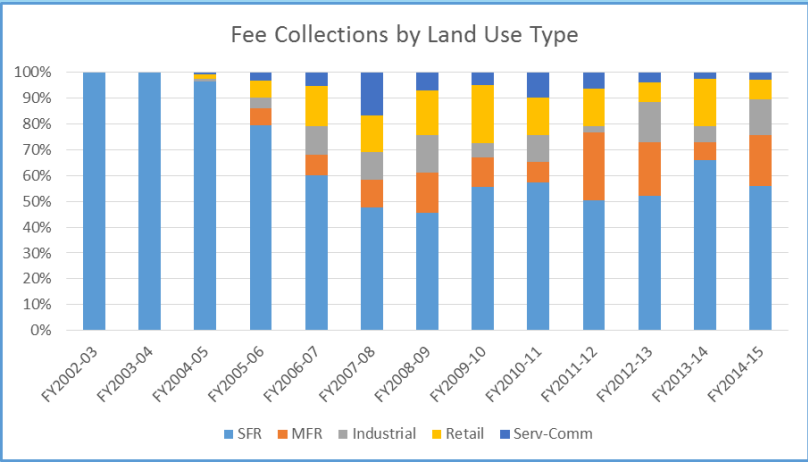
2016 FIVE-YEAR EXPENDITURE REPORT

- The initial Five-Year Expenditure Report was prepared in 2009 covering inception through FY 2007/08
- The 2016 report covers FY2008/09 through FY2014/15
- Based upon available information, the TUMF program meets expenditure reporting requirements for the period
- These findings rely upon:
 - Nexus Study analysis performed in 2009
 - TIP information
 - Annual reporting records

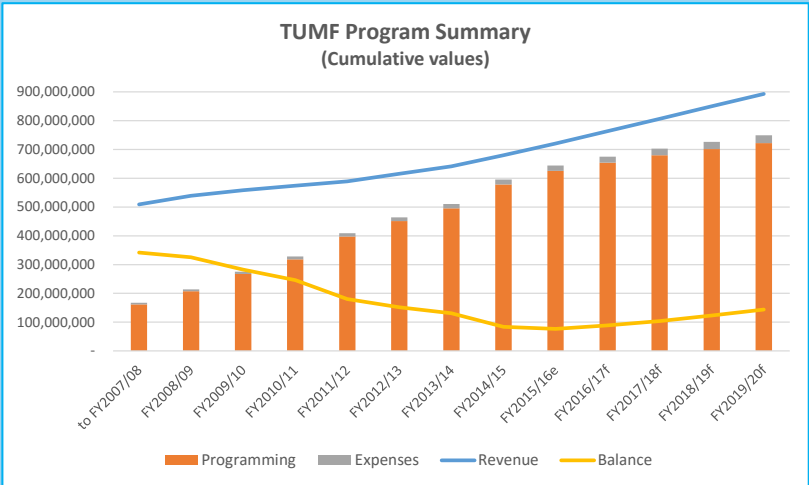
KEY INFORMATION FOR REPORTING PERIOD

- \$170.8 million in revenues (\$679.7 million cumulative)
- \$428.3 million programmed (\$749.4 million through FY2019/20)
- Fund balances dropped from \$341.6 million at the end FY2007/08 to \$84.1 million (uncommitted) at the end of FY2014/15

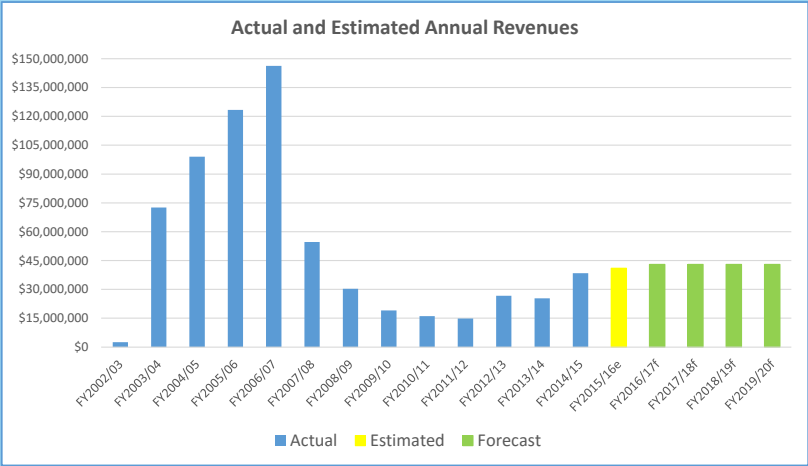
SHARE OF REVENUE SOURCES



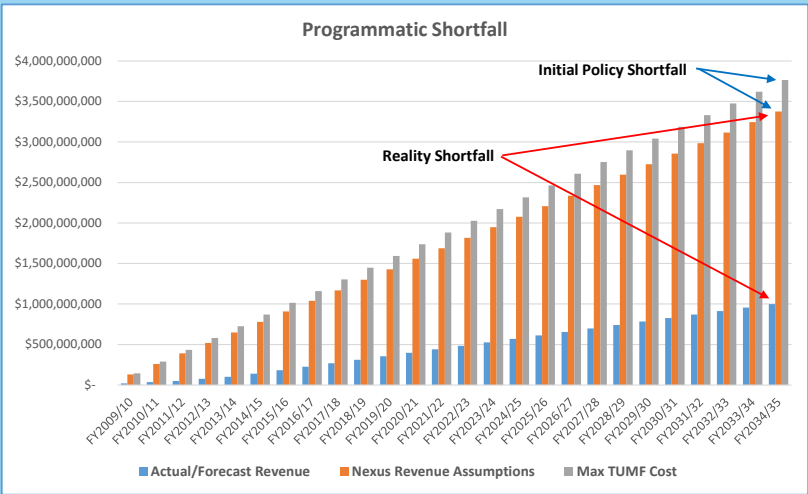
FUND BALANCES (UNCOMMITTED)



REVENUE TRENDS



FUNDING REALITIES (2009 NEXUS STUDY)



PROGRAM RECOMMENDATIONS

- Develop standardized reporting documents for all program partners (RCTC, RTA, and RCA) to include expenditure, balance and programming information
- Evaluate potential options to encourage timely use of programmed funds
- Continually monitor fund balance to maintain no more than one year of revenues
- Clarify projects eligible for programming either through Zone or regional program
- Work with RCA to develop a formalized CIP for programming purposes

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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: The Implications of Flores vs. San Gabriel

Contact: Isabel Safie, Partner, Best Best & Krieger, Isabel.Safie@bbklaw.com, (951) 826-8309

Date: September 22, 2016

Requested Action:

1. Receive and file.
-

This item is reserved for a presentation from Best Best & Krieger regarding the implications of Flores vs. San Gabriel, which is the recent court ruling outlining new guidelines indicating that “cash-in-lieu” of benefit payments need to be included when calculating overtime.

Prior WRCOG Action:

None.

WRCOG Fiscal Impact:

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

Attachment:

None.