Western Riverside Council of Governments
Administration & Finance Committee

AGENDA

Wednesday, October 9, 2019
12:00 p.m.

Western Riverside Council of Governments
Citrus Tower
3390 University Avenue, Suite 450
Riverside, CA 92501

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the Administration & Finance Committee meeting, please contact WRCOG at (951) 405-6703. 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 3390 University Avenue, Suite 450, Riverside, CA, 92501.

The Administration & Finance Committee may take any action on any item listed on the agenda, regardless of the Requested Action.

1. CALL TO ORDER (Bonnie Wright, Chair)

2. PUBLIC COMMENTS

At this time members of the public can address the Administration & Finance Committee regarding any items 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.

3. MINUTES

A. Summary Minutes from the September 11, 2019, Administration & Finance Committee Meeting are Available for Consideration. **P. 1**

Requested Action: *1. Approve the Summary Minutes from the September 11, 2019, Administration & Finance Committee meeting.*

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. Finance Department Activities Update **P. 7**

Requested Action: *1. Receive and file.*

B. Single Signature Authority Report **P. 13**

Requested Action: *1. Receive and file.*

5. REPORTS / DISCUSSION

A. PACE Programs Activities Update: Refunding of WRCOG-Issued Bonds and Request to Amend the WRCOG HERO and CA HERO Program Administration Agreement **P. 15**

Requested Actions:

1. Recommend that the Executive Committee approve and authorize the Executive Director to execute First Amendment to WRCOG HERO Program and California HERO Program Administration Agreement.

2. Recommend that the Executive Committee approve and authorize the Executive Director to execute Addendum No. 2 to WRCOG HERO Program and California HERO Program Administration Agreement.

B. Experience Subregional Innovation Center Activities Update **P. 31**

Requested Action: *1. Receive and file.*

C. 2019 TUMF Construction Cost Index Adjustment **P. 43**

Requested Action: *1. Recommend that the Executive Committee implement the TUMF CCI adjustment as identified below with a single-family residential phase-in and no increase to the retail fee.*

6. REPORT FROM THE EXECUTIVE DIRECTOR *Rick Bishop*

7. ITEMS FOR FUTURE AGENDAS *Members*

Members are invited to suggest additional items to be brought forward for discussion at future Administration & Finance Committee meetings.

8. GENERAL ANNOUNCEMENTS *Members*

Members are invited to announce items / activities which may be of general interest to the Administration & Finance Committee.

9. NEXT MEETING: **The next Administration & Finance Committee meeting is scheduled for Wednesday, November 13, 2019, at 12:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 450, Riverside.**

10. ADJOURNMENT

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<u>1. CALL TO ORDER</u>

The meeting of the Administration & Finance Committee was called to order at 12:03 p.m. by Chair Bonnie Wright at WRCOG's Office, Citrus Conference Room.

Members present:

Mike Lara, City of Beaumont
Bonnie Wright, City of Hemet, Chair
Brian Tisdale, City of Lake Elsinore
Kelly Seyarto, City of Murrieta
Kevin Bash, City of Norco
Rita Rogers, City of Perris
Rusty Bailey, City of Riverside
Ben Benoit, City of Wildomar
Karen Spiegel, County of Riverside District 2
Chuck Washington, County of Riverside District 3
Brenda Dennstedt, Western Municipal Water District

Staff present:

Steve DeBaun, Legal Counsel, Best Best & Krieger
Rick Bishop, Executive Director
Barbara Spoonhour, Deputy Executive Director - Operations
Andrew Ruiz, Interim Chief Financial Officer
Chris Gray, Director of Transportation & Planning
Casey Dailey, Director of Energy & Environmental Programs
Christopher Tzeng, Program Manager
Janis Leonard, Administrative Services Manager
Anthony Segura, Senior Analyst
Rachel Singer, Staff Analyst
Justin White, Staff Analyst
Suzy Nelson, Administrative Assistant

Guests present:

Lea Peterson, SoCal Gas

<u>2. PUBLIC COMMENTS</u>

There were no public comments.

<u>3. MINUTES</u> – *(Perris / Riverside) 10 yes; 0 no; 1 abstention. Item 3.A was approved. District 3 abstained.*

A. Summary Minutes from the July 10, 2019, Administration & Finance Committee Meeting are Available for Consideration.

<u>Action</u>: *1. Approved the Summary Minutes from the July 10, 2019, Administration & Finance Committee meeting.*

4. CONSENT CALENDAR – *(District 3 / Wildomar) 11 yes; 0 no; 0 abstention. Items 4.A through 4.E were approved.*

A. Finance Department Activities Update

Action: 1. *Received and filed.*

B. Amendment to the Agency Personnel Policies and Procedures

Action: 1. *Recommended that the Executive Committee adopt Resolution Number 31-19: A Resolution of the Executive Committee of the Western Riverside Council of Governments amending its Personnel Policies and Procedures.*

C. Western Riverside Energy Partnership Program Activities Update

Action: 1. *Recommended that the Executive Committee approve the Second Amendment to the Professional Services Agreement between WRCOG and Kearns and West, Inc., to provide WRCOG planning support and advisory services in an amount not to exceed $60,925 for WRCOG Clean Cities Program, taking the amended contract in a not to exceed amount of $219,485 in total, and to extend the term of the Agreement through June 30, 2020.*

D. Approval of Memorandum of Understanding Between WRCOG and the Western Riverside County Regional Conservation Authority for TUMF Revenue Disbursement

Action: 1. *Recommended that the Executive Committee approve the updated Memorandum of Understanding between WRCOG and the Western Riverside County Regional Conservation Authority for TUMF Revenue Disbursement.*

E. Approval of First Amendment to Professional Services Agreement with Twintel Solutions for Agency IT / AV Support

Action: 1. *Recommended that the Executive Committee authorize the Executive Director to enter into a First Amendment of the Professional Services Agreement between WRCOG and TWINTEL Solutions, Inc., to provide continued Information Technology and Audio / Visual services in an amount not to exceed $114,000 annually for two additional years.*

5. REPORTS / DISCUSSION

A. California Public Employees Retirement System Unfunded Accrued Liability Update

Andrew Ruiz reported that this item was recently presented to the WRCOG Finance Directors Committee. Some jurisdictions are only able to make the minimum monthly payment or pay a lump sum at the beginning of the fiscal year. Some jurisdictions are making payments directly to CalPERS.

WRCOG's present value of its Unfunded Accrued Liability (UAL) is approximately $3.4 million and is approximately 76% funded. The average across the state is 71% funded. If WRCOG continues making payments over the next 25 years or so, it will total approximately $5.6 million.

WRCOG's options are that it can make additional contributions to PERS, pay down a portion of the principal, pay it all off, or lower the term by refinancing to a 15-year term and see an immediate significant interest savings of approximately $500k. A separate reserve account could be created, which would create greater budget flexibility, but earn at a lower rate. Or WRCOG could maintain current payments which would net no savings.

Pros in establishing a Section 115 trust include fewer restrictions on investments, thereby increasing earnings. Putting all the money into PERS would not net additional earnings.

Mr. Ruiz shared the various payment options and the outcomes of each.

Committee member Ben Benoit expressed concern in that if WRCOG pays a significant payment to PARS for investment, and the economy tanks, WRCOG potentially loses that money and would still owe PERS.

Mr. Ruiz indicated that if the economy faltered, it would falter for both PARS and PERS, and the Unfunded Liability could potentially increase with PERS as well.

The Finance Directors Committee recommended that WRCOG establish a Section 115 trust with PARS.

Committee member Mike Lara asked if there is any guarantee that the PARS return will be better than the PERS return.

Mr. Ruiz responded that there is no guarantee; however, the way PARS has set up its investments, they yield a little better return than PERS.

__Action__: 1. *Directed staff to establish a Section 115 trust with PARS for WRCOG's Unfunded Accrued Liability in the amount of $1 million.*

(Wildomar / Murrieta) 10 yes; 1 no; 0 abstention. Item 5.A was approved. The City of Beaumont opposed.

B. PACE Programs Activities Update: Annual Delinquency Report and Request to Enter into a Purchase and Sales Agreement with First National Assets

Casey Dailey reported that just under 54,000 assessments were enrolled last fiscal year; approximately 630 property owners are delinquent on their property taxes as of the end of July. The delinquency rate for HERO assessments is lower than the county-wide delinquency rate.

WRCOG does not initiate judicial foreclosure on residential properties. WRCOG waits for the respective county to initiate that process, which is a five-year process. WRCOG has initiated a foreclosure proceeding once on a commercial property; that property owner did come current with the property taxes before having to go through the process.

The Committee requested the number of delinquent assessments specifically by county.

Committee member Brenda Dennstedt would like to know how many delinquencies are on properties which have burned down in recent fires.

First National Asset provides financing to cover the costs of the delinquencies to ensure the bond holders are paid in a timely fashion. As property owners become current on their property taxes, First National Asset is repaid.

__Actions__:

1. *Recommended that the Executive Committee defer the judicial foreclosure proceedings on delinquent residential parcels of the 2018/2019 Tax Year and assign WRCOG's collection rights to a third party for 630 delinquent parcels totaling $1,790,780.64.*
2. *Recommended that the Executive Committee authorize the Executive Director to Enter in a Purchase and Sales Agreement with a third party, First National Assets, as to form, for the purchase of the delinquent assessment receivables.*

(Riverside / Wildomar) 11 yes; 0 no; 0 abstention. Item 5.B was approved.

C. Consideration of Resolution Regarding Balanced Energy Choices

Rick Bishop reported that WRCOG was approached by SoCalGas a few months ago with a request to consider adopting a resolution supporting balanced energy choices. The template resolution was created over concerns about California's 100% electrification mandates and charges and how that might impact residents who use gas in their properties. Most of the jurisdictions in WRCOG's subregion have considered or passed a resolution of support. There is existing language within WRCOG's Legislative Platform which supports balanced energy solutions.

Typically, WRCOG is asked to support a matter and disseminate the information to its member jurisdictions; in this case most member jurisdictions have already passed resolutions of support, and now WRCOG is being asked to do the same.

As staff were researching this matter, staff from Southern California Edison reached out with concerns over this matter. WRCOG is seeking direction from this Committee on how to proceed.

Lea Peterson spoke on SoCalGas' position on this matter. Bills presented to the legislature in 2018 were structured so that all new commercial, industrial, and residential properties would be required to be all electric by the year 2030. Current properties which did upgrades would be required to change gas properties to all electric.

The Building Industry Association conducted research and determined that the impact would be approximately $7,800 per home.

The consensus of the Committee members was that WRCOG's role is to disseminate the information to its member jurisdictions and let them take actions that affect their respective jurisdiction. WRCOG should stay neutral on the matter.

Action: *1. Received and filed.*

6. REPORT FROM THE EXECUTIVE DIRECTOR

Rick Bishop reported that the Inland Empire Innovation Week is being held October 7 – 11, 2019. WRCOG is hosting a full day seminar on October 8, 2019, at the Riverside Fox Theater, discussing innovation and government; Mayor Kelly Seyarto, City of Murrieta, is serving as the event host.

This year's SoCal AltCar Conference and Expo is being held at the Riverside Convention Center on October 16, from 9:30 a.m. to 3:00 p.m.

7. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

8. GENERAL ANNOUNCEMENTS

Committee member Kevin Bash shared that the City of Norco has recently broke ground on a monument dedicated to Kathy Acevedo. This will be a seating area located at Ingalls Park and will showcase people that receive Spirit Awards.

Committee member Karen Spiegel announced that there is a challenge to fly the most American flags as possible in honor of 9/11.

9. CLOSED SESSION

There were no reportable actions.

<u>10. NEXT MEETING</u>: **The next meeting is scheduled for Wednesday, October 9, 2019, at 12:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 450, Riverside.**

<u>11. ADJOURNMENT</u>: **The meeting of the Administration & Finance Committee adjourned at 1:10 p.m.**

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Western Riverside Council of Governments
Administration & Finance Committee

Staff Report

Subject: **Finance Department Activities Update**

Contact: **Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741**

Date: **October 9, 2019**

***The purpose of this item is to** provide an update on the Fiscal Year (FY) 2018/2019 Agency Audit and the Agency Financial Report summary through July 2019.*

Requested Action:

1. Receive and file.

FY 2018/2019 Agency Audit

WRCOG's annual Agency Interim Audit was completed on June 12, 2019. WRCOG utilizes the services of the audit firm Rogers, Anderson, Malody, and Scott (RAMS) to conduct its financial audit. The first visit is known as the "interim" audit, which involves preliminary audit work that is conducted prior to fiscal year end. The interim audit tasks are conducted in order to compress the period needed to complete the final audit after fiscal year end. RAMS will return the week of September 30, 2019, to finish its second round, which is known as "fieldwork." It is anticipated that the final Audit will be presented to this Committee in December 2019.

Financial Report Summary Through July 2019

The Agency Financial Report summary through July 2019, a monthly overview of WRCOG's financial statements in the form of combined Agency revenues and costs, is provided as Attachment 1.

Prior Action:

September 11, 2019: The Administration & Finance Committee recommended that WRCOG open a Section 115 Trust with PARS for WRCOG's Unfunded Accrued Liability.

Fiscal Impact:

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

Attachment:

1. Financial Report summary – July 2019.

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Item 4.A
Finance Department Activities Update

Attachment 1
Financial Report summary – July 2019

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Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending July 31, 2019

Total Agency

Revenues	Approved Budget 6/30/2020	Thru Actual 7/31/2019	Remaining Budget 6/30/2020
PACE Residential Revenue	212,500	20,771	191,729
Statewide HERO Revenue	570,000	41,301	528,699
PACE Residential Recording Rev	111,800	7,640	104,160
Statewide HERO Recording fee Rev	441,200	25,830	415,370
Regional Streetlights Revenue	187,511	94,631	92,880
NW Clean Cities - Member Dues	128,000	3,600	124,400
CAP Grant Revenue	125,000	2,686	122,314
Total Revenues & Carryover	**55,365,007**	**196,460**	**55,168,547**
Overhead Transfer In	**1,996,602**	**157,778**	**1,838,824**
Total Revenues & Overhead	**57,361,609**	**354,238**	**57,007,371**

Expenses		Approved Budget 6/30/2020	Thru Actual 7/31/2019	Remaining Budget 6/30/2020
Salaries & Wages - Fulltime	$	1,956,159	84,660	1,871,500
Fringe Benefits		628,266	52,357	575,909
CalPERS OPEB Paydown		200,000	184,103	15,897
Overhead Allocation		1,893,320	157,778	1,735,542
General Legal Services		387,000	81,483	305,517
Bank Fees		38,512	5,690	32,822
Commissioners Per Diem		62,500	888	61,612
Office Lease		465,000	27,097	437,903
WRCOG Auto Fuels Expenses		1,500	36	1,464
Parking Validations		10,000	1,306	8,695
Coffee and Supplies		2,500	212	2,288
Event Support		182,283	2,939	179,344
Program/Office Supplies		22,263	935	21,328
Computer Software		26,500	57,092	(30,592)
Rent/Lease Equipment		30,000	2,142	27,858
Membership Dues		32,500	1,615	30,885
Meeting Support Services		10,698	224	10,474
Postage		5,600	624	4,976
Other Expenses		1,250	651	599
Printing Services		7,500	1,877	5,623
Communications - Cellular Phones		17,500	1,332	16,168
Communications - Computer Services		57,500	1,628	55,872
Equipment Maintenance - General		10,000	282	9,718
Recording Fee		254,339	5,349	248,990
Travel - Mileage Reimbursement		19,500	476	19,024
Meals		8,250	106	8,144
Other Incidentals		6,600	627	5,973
Supplies/Materials		21,850	23,124	(1,274)
Advertisement Radio & TV Ads		72,000	7,600	64,400
Consulting Labor		2,291,999	92,302	2,199,697
Total Expenses	**$**	**54,955,554**	**796,533**	**54,159,020**

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Western Riverside Council of Governments
Administration & Finance Committee

Staff Report

Subject: **Single Signature Authority Report**

Contact: **Andrew Ruiz, Interim Chief Financial Officer, aruiz@wrcog.us, (951) 405-6741**

Date: **October 9, 2019**

The purpose of this item is to *notify the Committee of contracts recently signed under the Single Signature Authority of the Executive Director.*

Requested Action:

1. Receive and file.

The Executive Director has Single Signature Authority for contracts up to $100,000. For the months of July 2019 through September 2019, seven contracts, three of which were solely term extensions, were signed by the Executive Director. These are summarized below.

1. In September 2019, an Amendment to an existing Professional Services Agreement (PSA) was executed with W.G. Zimmerman Engineering for $100,000 over a two-year period. The purpose of this amendment is to extend the term of the existing PSA to support the Transportation Uniform Mitigation Fee (TUMF) Program with engineering consulting services and other assistance as needed.

2. In September 2019, an Amendment to an existing PSA was executed with Transportation, Engineering, and Planning (TEP) for $100,000 over a two-year period. The purpose of this amendment is to extend the term of the existing PSA to support the TUMF Program with engineering consulting services and other assistance as needed.

3. In September 2019, a PSA was executed with Kimley-Horn and Associates for $50,000 over a two-year period. The purpose of this PSA is to support the TUMF Program with engineering consulting services and other assistance as needed.

4. In September 2019, a PSA was executed with CivilPros for $50,000 over a two-year period. The purpose of this PSA is to support the TUMF Program with engineering consulting services and other assistance as needed.

5. In September 2019, an Amendment to an existing PSA was executed with PFM Asset Management for $25,000. The purpose of this PSA is to support the TUMF Program with investment advisory services for the TUMF funds held by WRCOG.

6. In August 2019, a PSA was executed with Peaks Advertising for $40,000. Peaks Advertising will provide an advertising campaign for the Used Oil Recycling Program to support WRCOG and its member agencies.

7. In September 2019, a PSA was executed with The EcoHero Show for $14,011.50. The EcoHero Show will provide education and outreach for local elementary and middle schools in Western Riverside County. The

EcoHero Show will support the Used Oil Recycling, Household Hazardous Waste, and Solid Waste Programs at WRCOG for its member agencies.

<u>Prior Action</u>:

None.

<u>Fiscal Impact</u>:

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

<u>Attachment</u>:

None.

Item 5.A

Western Riverside Council of Governments
Administration & Finance Committee

Staff Report

Subject: **PACE Programs Activities Update: Refunding of WRCOG-Issued Bonds and Request to Amend the WRCOG HERO and CA HERO Program Administration Agreement**

Contact: **Casey Dailey, Director of Energy & Environmental Programs, cdailey@wrcog.us, (951) 405-6720**

Date: **October 9, 2019**

***The purpose of this item is to** provide information regarding the potential refunding (or refinancing) of outstanding WRCOG-issued bonds, as well as a request that the Executive Committee amend the Administration Agreement between Renovate America and WRCOG to allow Renovate America to expand its territory while providing WRCOG a nominal fee.*

Requested Actions:

1. Recommend that the Executive Committee approve and authorize the Executive Director to execute First Amendment to WRCOG HERO Program and California HERO Program Administration Agreement.
2. Recommend that the Executive Committee approve and authorize the Executive Director to execute Addendum No. 2 to WRCOG HERO Program and California HERO Program Administration Agreement.

WRCOG's PACE Programs provide financing to property owners to implement energy saving, renewable energy, water conservation, and seismic strengthening improvements to their homes and businesses. Financing is paid back from assessments revenues generated by placing a lien on the subject property's tax bill. The Program was initiated in December 2011 and was expanded in 2014 to allow jurisdictions throughout the state to join WRCOG's Program and allow property owners in these jurisdictions to participate. WRCOG now offers HERO, CaliforniaFIRST, PACE Funding, and Ygrene as residential PACE providers and Greenworks, CleanFund, and Twain as commercial PACE providers.

WRCOG Bond Refunding

As part of the WRCOG PACE Program, WRCOG issues municipal bonds secured by assessments levied on the properties whose owners choose to utilize PACE. Since launching the PACE Programs, WRCOG has issued approximately 1,300 PACE assessment-secured bonds with a current estimated value in excess of $1.03 billion. Many of these bonds were issued when the bond market demanded higher interest rates. Since then, interest rates have decreased, creating an opportunity to refund outstanding bonds at lower interest rates. On the advice of WRCOG's PACE team partners, (PFM – Financial Advisor, BB&K – Bond Counsel, and dta – Assessment Administrator), WRCOG began the process of researching the possibility of refunding eligible WRCOG bonds in order to realize savings to WRCOG and minimize administrative costs.

Staff is exploring the viability of refunding eligible bonds in the coming months. Through this potential transaction, staff is anticipating savings related to trustee expenses and consolidation of the various master indentures. This consolidation would create significant efficiencies in the ongoing operations of the Programs that would reduce ongoing administrative expenses.

During the coming months, staff, along with PFM, BBK, dta, and the underwriter, Piper Jaffray, will prepare an offering statement to detail the specific information related to the bonds that are eligible and economic to be refunded. Staff will return to the Administration & Finance Committee in November with a complete overview of the proposed bond refunding plan with a goal of closing the first round before the end of the calendar year, if feasible. Based on the economics and market conditions, it is likely that not all of the bonds will be recommended for refunding at once; in this case, a rolling refunding of additional bonds may be implemented to achieve continued savings and efficiencies.

Renovate America and WRCOG Administrative Agreement

In 2015, the Executive Committee approved an addendum to the Administration Agreement between Renovate America and WRCOG that allowed Renovate America to expand its territory into 49 cities in Los Angeles County. By allowing Renovate America to expand its territory, WRCOG received a fee from Renovate America based on a formula agreed upon by both parties to cover the financial impacts of losing those service territories. As a reminder, WRCOG receives a percentage of the Cost of Issuance (similar to a closing cost) to cover its operational costs. As the PACE market continues to evolve, staff no longer sees the necessity for the formula, and would rather implement a simple 0.25% fee on the principal amount of all new PACE assessments levied in the agreed upon jurisdictions in Los Angeles County.

In 2019, territory that was previously exclusive to other PACE providers under the CSCDA Open PACE Program, and not part of the California HERO Program, became available for Renovate America to compete in. Per the terms of the Administration Agreement with Renovate America, WRCOG is required to authorize in writing the ability for Renovate America to use a different bond issuer for projects completed outside of the HERO and California HERO Programs. As part of WRCOG agreeing to allow Renovate America to expand into these additional 23 jurisdictions, Renovate America has agreed to compensate WRCOG future losses with a 0.25% fee based on the principal amount of all new PACE assessments levied in those jurisdictions.

Prior Action:

September 11, 2019: The Administration & Finance Committee recommended that the Executive Committee 1) defer the judicial foreclosure proceedings on delinquent residential parcels of the 2018/2019 Tax Year and assign WRCOG's collection rights to a third party for 630 delinquent parcels totaling $1,790,780.64; and 2) authorized the Executive Director to enter in a Purchase and Sale Agreement, as to form, with a third party, First National Assets, for the purchase of the delinquent assessment receivables.

Fiscal Impact:

Based on current volume in Los Angeles County, staff anticipates a positive fiscal impact of $50,000 annually; the fiscal impact of the additional cities is unknown.

Attachments:

1. First Amendment to WRCOG HERO Program and California HERO Program Administration Agreement.
2. Addendum No. 2 to WRCOG HERO Program and California HERO Program Administration Agreement.

Item 5.A

PACE Programs Activities Update: Refunding of WRCOG-Issued Bonds and Request to Amend the WRCOG HERO and CA HERO Program Administration Agreement

Attachment 1

First Amendment to WRCOG HERO Program and California HERO Program Administration Agreement

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FIRST AMENDMENT TO
WRCOG HERO PROGRAM AND CALIFORNIA HERO PROGRAM
ADMINISTRATION AGREEMENT

1. PARTIES AND DATE.

This FIRST AMENDMENT TO THE WRCOG HERO Program and California HERO Program Administration Agreement is made and entered into as of _________________, 2019 (the "Effective Date", by and between the Western Riverside Council of Governments ("WRCOG"), a California public agency and Renovate America, Inc., ("Renovate America") a Delaware corporation. WRCOG and Renovate America are sometimes individually referred to as a "Party" and collectively as the "Parties." This agreement may be referred to herein as the "Administration Agreement" or the "Agreement."

2. RECITALS.

2.1 The Executive Committee of WRCOG (the "Executive Committee") has undertaken proceedings to establish and did thereby establish a voluntary contractual assessment program designated as the Energy Efficiency and Water Conservation Program for Western Riverside County (the "WRCOG HERO Program") pursuant to the provisions of Chapter 29 of Part 3, Division 7 of the California Streets and Highways Code (commencing at Section 5898.12) ("Chapter 29"), the Joint Powers Agreement of WRCOG originally made and entered into April 1, 1991, as further amended to date (as amended, the "JPA"), and separate Implementation Agreements entered into pursuant to the JPA by and between WRCOG and its members that elected to participate in the WRCOG HERO Program (the "Members"), to assist owners of residential properties within the jurisdictional boundaries such Members to finance the cost of installation of distributed generation renewable energy sources or energy efficiency or water conservation improvements or electric vehicle charging infrastructure (the "Eligible Products") that are permanently fixed to the properties of such owners.

2.2 The Executive Committee subsequently undertook proceedings to establish and did thereby establish a voluntary contractual assessment program designated as the California HERO Program (the "California HERO Program") pursuant to the provisions of Chapter 29, the JPA, and separate JPA Amendments entered into pursuant to the JPA by and between WRCOG and the cities and counties that elected to become Associate Members of WRCOG and to participate in the California HERO Program, to assist owners of residential properties within the jurisdictional boundaries such Associate Members to finance the cost of installation of Eligible Products that are permanently fixed to the properties of such owners.

2.3 WRCOG and Renovate America have entered into an Administration Agreement dated February 10, 2014 (the Master Agreement") to establish the terms and conditions pursuant to which Renovate America shall provide administration services to WRCOG for both the WRCOG HERO Program and the California HERO Program for Residential properties participating in such programs (the "Program Administration Services") as further described in the Master Agreement.

2.4 WRCOG and Renovate America desire to enter into this First Amendment to amend the terms and conditions of the Master Agreement related the limitations on Renovate America providing PACE services to additional cities in California on behalf of Other Issuers.

3. TERMS.

3.1 WRCOG and Renovate America agree to amend Section 4.2.2 of the Master Agreement to read as follows:

"4.2.2 Rights to provide Program Administrator Services to other entities and Limitations thereon

(a) Except as provided subsections (b) and (e) of this Section 4.2.2, WRCOG shall not during the term of this Agreement enter into an agreement with another entity for the provision of services similar to Program Administration Services except in markets where WRCOG and Renovate America determine, after good faith discussion, that California HERO cannot reasonably be made available through this Agreement.

(b) Within Western Riverside County, WRCOG shall have the right, but not the obligation, to engage PACE providers in addition to Renovate America.

(c) Outside California, Renovate America retains the right to perform services similar to Program Administration Services authorized to be provided under this Agreement for other public agencies implementing similar programs ("Other Issuers" and each an "Other Issuer").

(d) Within California, Renovate America shall: (i) market the WRCOG HERO Program or California HERO Program only on behalf of WRCOG, except (1) to cities and counties outside of Los Angeles and San Bernardino counties and (2) to those CSCDA Jurisdictions listed in Exhibit A of Amended and Restated Addendum; and (ii) retain the right to perform services similar to the Program Administration Services described in this Agreement for Other Issuers, but only within the unincorporated and incorporated portions of Los Angeles and San Bernardino counties or within the CSCDA Jurisdictions. The services for the County of Los Angeles and the CSCDA Jurisdictions shall be subject to the requirements set forth in Amended and Restated Addendum.

(e) If any city or county participating in the (a) WRCOG HERO Program elects for any reason or for no reason to use or engage any PACE administrator other than Renovate America, or (b) California HERO Program elects to terminate its relationship with WRCOG, then WRCOG and Renovate America at the request of either party may engage in good faith negotiations over whether the territories described above in subsection (d) of this Section 4.2.2 and the exclusivity restrictions in subsection (a) of this 4.2.2 should be adjusted. If a city or county not currently part of the WRCOG HERO or California HERO Programs requests, of its own accord, Renovate America to provide services similar to Program Administration Services for such city of county through an Other Issuer, Renovate America shall have the right, but not the obligation, to perform such services in such city, county or portion thereof for such Other Issuer; provided that (i) Renovate America shall provide WRCOG with prior notice of such a request,(ii) WRCOG shall have the right to meet with such city or county to discuss such request and (iii) Renovate America shall facilitate and attend such meetings.

3.2 Except as set forth herein, all provision of the Master Agreement, including without limitation the insurance and indemnity requirements, shall remain in full force and effect."

IN WITNESS WHEREOF, the Parties hereby have made and executed this Agreement as of the date first written above.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS	RENOVATE AMERICA, INC.
By: ______________________________ Rick Bishop, Executive Director	By: ______________________________ Shawn Stone, Chief Executive Officer

APPROVED AS TO FORM:

By: ______________________________
General Counsel
Best Best & Krieger LLP

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Item 5.A

PACE Programs Activities Update: Refunding of WRCOG-Issued Bonds and Request to Amend the WRCOG HERO and CA HERO Program Administration Agreement

Attachment 2

Addendum No. 2 to WRCOG HERO Program and California HERO Program Administration Agreement

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AMENDED AND RESTATED ADDENDUM TO WRCOG HERO PROGRAM AND CALIFORNIA HERO PROGRAM ADMINISTRATION AGREEMENT

1. PARTIES AND DATE.

This Amended and Restated Addendum ("Addendum") to WRCOG HERO Program and California HERO Program Administration Agreement (the "Agreement") is made and entered into as of October 7, 2019 (the "Effective Date"), and replaces the previous Addendum to WRCOG HERO Program and California HERO Program Administration Agreement dated June 8, 2015 (the "Original Addendum") and is made by and between the Western Riverside Council of Governments, a California public agency ("WRCOG") and Renovate America, Inc., a Delaware corporation ("Renovate America"). WRCOG and Renovate America are sometimes individually referred to as "Party" and collectively as "Parties."

2. CONSTRUCTION.

Definitions attributable to capitalized terms shall have the meaning given to them in this Addendum, unless no such definition is given, in which case the capitalized term shall have the meaning given to them in the Agreement. Where there is a conflict between this Addendum and the Agreement, the Agreement shall govern.

3. PURPOSE OF ADDENDUM.

The purpose of this Addendum is to clarify the terms of Agreement between the Parties surrounding CSCDA Open PACE Jurisdictions that are not presently approved as part of the WRCOG California HERO Program and a going forward participation payment agreement concerning said CSCDA Open PACE Jurisdictions and LA Cities as noted in exhibits.

4. LIMITATIONS.

4.1. As of the Effective Date, Renovate America may provide Program Administration Services directly to the CSCDA Jurisdictions that are not presently participating in the WRCOG California HERO Program for the operation of a PACE program within the CSCDA Open PACE Jurisdictions that are not presently participants in the WRCOG California HERO Program.

4.2. CSCDA currently has entered into Associate Membership agreements with several Jurisdictions throughout the State of California as part of the CSCDA Open PACE Program ("CSCDA Program") with the expectation to expand in the future. The current jurisdictions are shown on "Exhibit A" to Addendum attached hereto (the "CSCDA Jurisdictions").

4.3. In addition to the jurisdictions listed on Exhibit "A", the CSCDA Jurisdictions shall also include jurisdictions not currently with the California HERO Program which are added to Open PACE after the Effective Date. Notwithstanding the above, Renovate America shall use its best efforts to include CSCDA Jurisdictions in the California HERO Program, and if a CSCDA Jurisdiction approves a resolution authorizing the California HERO Program within its boundaries, Renovate America shall cease operating under Open PACE in such jurisdiction upon confirmation of a successful judicial validation for such jurisdiction or determination by Renovate America and WRCOG that no such judicial validation is required.

5. PARTICIPATION PAYMENT.

5.1. Starting on Agreement Date, October 7, 2019, Renovate America shall pay to WRCOG a participation payment (the "Participation Payment") calculated as follows: (i) an issuer fee of 0.25 % based on the par amount of each Bond issued under the CSCDA Program for Residential Properties located within the CSCDA Open PACE Program as listed on attached Exhibit A and any additional jurisdictions added through the CSCDA Open PACE Program and (ii) an issuer fee of 0.25% based on the par amount of each Bond issued under the LA Program for Residential Properties located within the LA Cities as listed on attached Exhibit B.

5.2. Each Participation Payment shall be paid to WRCOG within 45 days at the end of each quarter following of the issuance of Bonds for which such Participation Payment is due. The payment obligations under Section 5.1 above in this Addendum shall end upon the termination of the Agreement or for individual Jurisdictions as those Jurisdictions that are acknowledged in this Agreement go live with the WRCOG California HERO Program.

5.3. WRCOG shall have the right to audit Renovate America's records as they pertain to this Agreement to ensure the accuracy of the Participation Payments. Renovate America shall keep complete and accurate records relating to the calculation of the Participation Payments, including without limitation, the documentation showing how the Participation Payments are calculated and the data upon which such calculations are based. All such records shall be maintained in accordance with Section 4.3 of the Agreement.

5.4 The terms of this Amended and Restated Addendum shall supersede the terms of the Original Addendum.

IN WITNESS WHEREOF, the Parties hereby have made and executed this Addendum as of the date first written above.

WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS	RENOVATE AMERICA, INC.
By:______________________________	By: __________________________________
Title: Rick Bishop, Executive Director	Title: Michael Mildenberger, Chief Risk Officer

EXHIBIT A

LIST OF CSCDA Jurisdictions

1	**Alameda in Alameda County**
2	Livermore in Alameda County
3	Hercules in Contra Costa County
4	Ridgecrest in Kern County
5	Town of Corte Madera in Marin County
6	Town of Ross in Marin County
7	Marina in Monterey County
8	Soledad in Monterey County
9	Folsom in Sacramento County
10	Hollister in San Benito County
11	County of San Benito
12	East Palo Alto in San Mateo County
13	Santa Barbara in Santa Barbara County
14	County of Santa Barbara
15	Los Altos in Santa Clara County
16	Palo Alto in Santa Clara County
17	Saratoga in Santa Clara County
18	Sunnyvale in Santa Clara County
19	Town of Los Altos Hills in Santa Clara County
20	Anderson in Shasta County
21	Arroyo Grande in San Luis Obispo County
22	Atascadero in San Luis Obispo County
23	County of Ventura

EXHIBIT B

LIST OF LA CITIES

1	Alhambra
2	Arcadia
3	Avalon
4	Azusa
5	Baldwin park
6	Bellflower
7	Bradbury
8	Carson
9	Claremont
10	Commerce
11	Covina
12	Diamond Bar
13	E l Monte
14	El Segundo
15	Gardena
16	Glendora
17	Hawthorne
18	Hermosa Beach
19	Industry
20	Inglewood
21	Irwindale
22	La Canada Flintridge
23	La Verne
24	Lancaster
25	Lawndale
26	Lomita
27	Malibu
28	Monrovia
29	Montebello
30	Monterey Park
31	Palmdale
32	Pomona
33	Rancho Palos Verdes

34	Redondo Beach
35	Rolling Hills
36	Rolling Hill s Estates
37	Rosemead
38	San Dimas
39	San Fernando
40	San Gabriel
41	San Marino
42	Santa Monica
43	Sierra Madre
44	South El Monte
45	South Pasadena
46	Temple City
47	Torrance
48	Walnut
49	West Covina

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Item 5.B

Western Riverside Council of Governments
Administration & Finance Committee

Staff Report

Subject: **Experience Subregional Innovation Center Activities Update**

Contact: **Chris Gray, Director of Transportation & Planning, cgray@wrcog.us, (951) 405-6710**

Date: **October 9, 2019**

The purpose of this item is to *provide an update on recent work related to the Experience Subregional Innovation Center.*

Requested Action:

1. Receive and File.

Background

Western Riverside County is one of the fastest growing subregions in the State of California and the United States. In 2012, WRCOG's leadership identified six interrelated components critically important to achieving a premier quality of life in Western Riverside County and incorporated these into the WRCOG Economic Development & Sustainability Framework (Framework), which serves as a guide to grow strategically and achieve a vibrant and livable community. The six Framework goal areas pertain to: 1) Economic Development; 2) Water and Wastewater; 3) Education; 4) Health; 5) Transportation; and 6) Energy and the Environment.

In 2016, staff introduced Experience, the concept of a dynamic program that would serve to advance the goals of the Framework. In 2017, WRCOG initiated a 14-month Experience Feasibility Analysis to explore the concept further and identify the real viability of developing the concept to support the Framework. The Analysis included establishment of a Steering Committee composed of members of WRCOG's Executive Committee and Technical Advisory Committee, as well as stakeholders from the region's public and private sectors. The Steering Committee established the initial mission and more than 20 goals for Experience and created a broad vision of what it would be, including a range of programming options from agricultural innovation to sustainability education as well as a robust facility idea complete with a conference center, restaurant, and edible garden. The Analysis concluded that the general concept of Experience would be financially viable and that the City of Riverside would be the most suitable jurisdiction to host Experience.

Feasibility Analysis and Recommended Actions

In December 2018, the Executive Committee took action to approve the findings of the Analysis, selected the City of Riverside as the preferred Experience host, and directed staff to move forward with the next phase of Experience development. These approved next steps involved entering into a Memorandum of Understanding (MOU) with the City of Riverside to clarify the responsibilities of each agency and retaining a consultant to lead the next phase of work, including program and fund development.

Consultant Selection: WRCOG sought a consultant team with experience bringing unique concepts to market, particularly those supporting economic development and sustainability. Staff conferred with the Los Angeles Cleantech Incubator (LACI), which was identified as a strong model for Experience development through the Feasibility Analysis Process. LACI staff referred WRCOG to Fred Walti, who founded LACI and served as

CEO for the first six years of LACI operation, and who has launched similar concepts throughout the United States and across the globe. Mr. Walti was complementary of the Experience Feasibility Analysis and, after touring the City of Riverside and meeting with WRCOG and City staff, agreed to lead Experience through the next phase of development through his company, Network for Global Innovation (NGIN). Also supporting the next phase of Experience through NGIN is Tom White, former Executive Director of the LACI University Incubator at California State University Northridge. Mr. White also has an extensive background as a marketing executive leading campaigns for global corporations. Following approval from the WRCOG Executive Committee, WRCOG executed a contract with NGIN in June of 2019.

<u>Phase II Updates</u>

NGIN developed a four-stage plan to complete this phase of work, summarized below, and explained in more detail in Attachment 1 to this report:

1. Concept Refinement and Review: Refinement of the concept that emerged from the Feasibility Analysis to create an idea that is ready to “bring to market” followed by consultation with key stakeholders for input on the revised concept.

2. Discovery and Socialization: Identification of partners and roles, continued refinement of the concept with additional input, and identification of available resources and resource needs.

3. Funding Development Plan: Identification of funding sources, development of a financial operating plan, and development of a funding roadmap and capital plan.

4. Organization and Action Plan: Preparation of MOUs with key partners, determination of a governance structure and staffing plan, and identification of office locations.

NGIN’s preliminary analysis found that the Experience concept required some level of refinement to ensure implementation. This is why NGIN designed Stage 1 to refine the concept further. NGIN recognized that of the 21 goals emerging from the Feasibility Analysis process, a majority were focused on economic development. Putting this interest in context with the region’s high susceptibility of jobs being automated, NGIN identified an opportunity for Experience to serve as the catalyst for developing an innovation-driven economy in the region.

From there, NGIN set out to identify an appropriate innovation-centric program for region-wide economic development. This involved conducting a comprehensive, interview-focused analysis aimed at understanding the region’s complete economic landscape (a general listing of people and organizations consulted with is included as Attachment 2 to this report). This has included interviews with more than 50 stakeholders from the public, private, nonprofit, and education sectors, which generally provided positive feedback for this effort. This process confirmed the region’s jobs-housing imbalance and the daily pilgrimage of our region’s many medium- and high-skilled workers to jobs outside of the area. NGIN saw this as an opportunity, identifying that the talented resident population includes an unmatched skill set that, when organized and effectively communicated, could generate a powerful magnet to attract resources and position the region to compete on the national level for employers. To do this, NGIN proposes utilizing a hub-and-spoke model for economic growth, which would facilitate participation of all interested parties across the region, thereby maximizing participation, collaboration, and communication. In practice, this hub-and-spoke model would likely establish a regional framework of organizations for leveraging resources to support entrepreneurship and innovation.

Stage 1 concluded in mid-September 2019 and NGIN is now moving into Stage 2, which will be largely focused on forging relationships with others committed to the hub-and-spoke model. NGIN staff will be providing an update on these programmatic elements and talking about the benefits of this type of program. At October’s Administration & Finance Committee meeting, NGIN will provide an update on its progress to date and next steps.

Prior Actions:

June 3, 2019: The Executive Committee authorized the Executive Director to enter into a Professional Services Agreement between the Western Riverside Council of Governments and Network for Global Innovation to lead Phase II development of Experience subregional innovation center.

May 16, 2019: The Technical Advisory Committee recommended the Executive Director to enter into a Professional Services Agreement between the Western Riverside Council of Governments and Network for Global Innovation to lead Phase II development of Experience subregional innovation center.

May 8, 2019: The Administration & Finance Committee recommended the Executive Director to enter into a Professional Services Agreement between the Western Riverside Council of Governments and Network for Global Innovation to lead Phase II development of Experience subregional innovation center.

October 18, 2018: The Technical Advisory Committee received and filed.

December 3, 2018: The Executive Committee 1) accepted the Experience Feasibility Analysis as to form; 2) authorized staff to proceed with the next phase regarding the implementation of the Experience Center; 3) selected the City of Riverside as the host jurisdiction; 4) directed staff to negotiate a MOU with the City of Riverside to implement the Experience Center; 5) directed staff to include a cost sharing mechanism in the MOU to limit future WRCOG expenditures to share staffing costs to support Experience; 6) directed staff to include specific milestones for the development and implementation of the MOU, including deadlines related to funding commitment and site selection; and 7) appointed two members to represent WRCOG in negotiating an MOU with the City of Riverside.

Fiscal Impact:

Expenditures for the Experience program are included in the Fiscal Year 2019/2020 Agency Budget.

Attachments:

1. Experience Phase II, 4-Stage Work Plan.
2. Experience Phase II, Stage 1 Stakeholder Interviews.

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Item 5.B

Experience Subregional Innovation Center Activities Update

Attachment 1

Experience Phase II, 4-Stage Work Plan

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Innovation 2030 Roadmap

ROADMAP FOR CREATING AN INNOVATION-DRIVEN ECONOMY FOR INLAND SOCAL

MISSION

Build an innovation-driven economy that benefits everyone by 2030.

VISION

A managed hub and spoke ecosystem will distribute innovation and allocate resources to its hub/spokes according to their strengths and contributions. Thus, by distributing innovation efforts, the region will be able to compete for top talent and companies, reduce individual costs, and increase impact through its collective efforts.

THE RIGHT MODEL

A conceptual framework that describes the needed components of Innovation 2030 Ecosystem Model Consists of Seven Integrated Components:

1. Political/Policy Leadership
2. Innovation Sources
3. Funding Access
4. Innovation Engines
5. Talent
6. Stakeholder Mobilization
7. Market Access

The ecosystem model:

- Leverages global Best-in-Breed practices
- Successfully deployed in Los Angeles and other regions
- Requires10-year horizon
- Annual milestones to be developed

AN INDEPENDENT ORGANIZATION

An organization dedicated to the new mission will be formed & funded.

1. Structured as a fully independent non-profit 501(c)(3).
2. It's working name is Innovation 2030.
3. Its Board of Directors will be critical to the initiative's success.
4. Key RSBO leaders could include:
   a. Foundations
   b. High Net Worth Individuals
   c. VCs
   d. Banks
   e. WRCOG
   f. City of Riverside
   g. Other Government
   h. Community
   i. Academia
5. Operating budget funds 1-3 Years
   a. Staff & Office
   b. Program
   c. Hub & Spoke Management
   d. Marcom

REGION-WIDE CONNECTIVE TISSUE

A Hub & Spoke model will enable RSBO communities to achieve the new mission by working together: The Innovation 2030 organization will build, manage, and fund the Hub & Spoke Network:

1. Leverage assets and stakeholders
2. For each hub/ spoke, identify specific:
   a. Roles
   b. Benefits
   c. Contributions
3. ID connective hub and spoke programming
4. Develop an identity to create external recognition that builds Inland SoCal into a premiere Innovation brand

PROGRAMMING TO SUPPORT INNOVATION

A wide range of programming is necessary to develop an innovation ecosystem.

1. Entrepreneur-in-Residence programming
2. RSBO-wide acceleration business contest
3. Workforce Future-Proofing programming
4. Early Adopter programs for all RSBO Cities
5. Design Thinking for city leadership
6. Thought Leadership/ Center of Excellence events
7. Partnerships

LOCATIONS & PLACES TO LIVE/WORK/PLAY

A grouping of unique, closely connected places which foster innovation and entrepreneurship.

1. Identifying the right facilities to develop and showcase RSBO's innovators is a key objective of Innovation 2030.
2. An series of Innovation Districts (ID) using the Riverside ID as the first model.
3. Live/work/play facilities are needed in an Innovation District, including:
   a. Labs
   b. Prototype Centers
   c. Makers centers
   d. Co-working spaces
   e. Restaurants
   f. Entertainment venues
   g. Innovation showcases
3. Build out a major convening space
4. Identify and build out necessary infrastructure elements.

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Item 5.B

Experience Subregional Innovation Center Activities Update

Attachment 2

Experience Phase II, Stage 1 Stakeholder Interviews

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Primary Research: 40+ Meetings to Date

So far, more than 40 meetings have been conducted

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Western Riverside Council of Governments
Administration & Finance Committee

Staff Report

Subject: **2019 TUMF Construction Cost Index Adjustment**

Contact: **Chris Gray, Director of Transportation & Planning, cgray@wrcog.us, (951) 405-6710**

Date: **October 9, 2019**

The purpose of this item is to *request a recommendation regarding the Construction Cost Index (CCI) adjustment to the TUMF schedule.*

Requested Action:

1. Recommend that the Executive Committee implement the TUMF CCI adjustment as identified below with a single-family residential phase-in and no increase to the retail fee.

WRCOG's Transportation Uniform Mitigation Fee (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. Each of WRCOG's member jurisdictions and the March JPA participates in the Program through an adopted ordinance, collects fees from new development, and remits the fees to WRCOG. WRCOG, as administrator of the TUMF Program, 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, the Western Riverside County Regional Conservation Authority (RCA) and the Riverside Transit Agency (RTA).

Background

Staff is required to bring annual Construction Cost Index (CCI) adjustment information through the WRCOG Committee structure for discussion and recommendation for final consideration by the Executive Committee. The CCI is an administrative element of the TUMF Program and is intended to keep the dollar value of the TUMF Program whole. In recent years, the Executive Committee has not approved a CCI adjustment to the TUMF.

Proposed CCI Adjustment to the Existing TUMF

Since the adoption of the 2016 TUMF Nexus Study, construction, labor, and land costs have demonstrated an increasing trend. Factors contributing to a potential increase in the CCI include tariffs and the rebounding economy placing competition on transportation construction from other sectors for materials and labor. This is intended to demonstrate the rising costs of transportation improvements in the state, including a handful of interchange projects that are currently underway in the WRCOG subregion. Information provided by the Public Works Committee (PWC) indicates that project costs continue to escalate, forcing agencies to find additional funding for their transportation projects.
The table below documents the current TUMF fee schedule, the TUMF fee schedule included in the 2016 Nexus Study, and the proposed CCI adjustment. WRCOG is required, per the TUMF Administrative Plan, to present a proposed CCI adjustment for consideration by the Executive Committee each year after the approval of the Nexus Study.

Land Use Type	Units	2016 Nexus Study TUMF	Current TUMF	CCI Adjustment
Single-Family Residential	DU	$ 9,418	$ 9,146	$ 9,810
Multi-Family Residential	DU	$ 6,134	$ 6,134	$ 6,389
Retail	SF	$ 12.31	$ 7.50	$ 13.01
Service	SF	$ 4.56	$ 4.56	$ 4.75
Industrial	SF	$ 1.77	$ 1.77	$ 1.81

Staff would note that during the 2016 Nexus Study update process the Executive Committee approved a reduction to the TUMF retail land use fee in response to comments from stakeholders regarding retail developments in Western Riverside County. The Fee Analysis Study completed by WRCOG in 2017, and updated in 2019, confirmed that, on average, the impact fee costs to develop a retail project is higher in Western Riverside County than in surrounding areas.

Additionally, as part of the adoption of the 2016 Nexus Study, the Executive Committee approved a two-year freeze, followed by a two-year phase-in, to the single-family residential fee. The first portion of the phase-in was implemented July 1, 2019. Staff has reviewed the TUMF collections made since the 2016 Nexus Study fee schedule took effect and has estimated that approximately $4 million in TUMF has not been collected as a result of the single-family residential freeze.

At its May 9, 2019, meeting, the PWC directed staff to develop options for implementation of an adopted CCI. At its June 13, 2019, meeting, the PWC recommended that the Executive Committee implement the CCI adjustment as noted below, which would maintain the retail fee reduction and phase-in the single-family residential fee increase. The Technical Advisory Committee (TAC) approved this option at its July 18, 2019, meeting.

Land Use Type	Units	2016 Nexus Study TUMF	Current TUMF	Interim Fee Increase (with CCI)	Final Fee Increase (with CCI)
Single-Family Residential	DU	$ 9,418	$ 9,146	$ 9,478	$ 9,810
Multi-Family Residential	DU	$ 6,134	$ 6,134	$ 6,389	$ 6,389
Retail	SF	$ 12.31	$ 7.50	$ 7.50	$ 7.50
Service	SF	$ 4.56	$ 4.56	$ 4.75	$ 4.75
Industrial	SF	$ 1.77	$ 1.77	$ 1.81	$ 1.81

Staff would note that the CCI adjustment to the TUMF results in an increase for transportation improvements that are included in the 2016 Nexus Study. The average increase per facility is approximately 5%, which means that available TUMF funding for each facility would increase by a commensurate amount.

Implementation

The current TUMF ordinance, which was adopted by WRCOG's member agencies, has the following fee schedule in effect from now until July 1, 2020.

Land Use Type	Units	Current TUMF
Single-Family Residential	DU	$ 9,146
Multi-Family Residential	DU	$ 6,134
Retail	SF	$ 7.50
Service	SF	$ 4.56
Industrial	SF	$ 1.77

After July 1, 2020, the single-family residential fee will increase to the full amount authorized by the Nexus Study which would result in the following fee schedule:

Land Use Type	Units	Current TUMF
Single-Family Residential	DU	$ 9,418
Multi-Family Residential	DU	$ 6,134
Retail	SF	$ 7.50
Service	SF	$ 4.56
Industrial	SF	$ 1.77

If approved by the Executive Committee, WRCOG would work with each agency participating in the TUMF Program to adopt an updated TUMF Ordinance, which would have the following fee schedule:

Land Use Type	Units	July 1, 2020 TUMF (with CCI)	January 1, 2021 TUMF (with CCI)
Single-Family Residential	DU	$ 9,478	$ 9,810
Multi-Family Residential	DU	$ 6,389	$ 6,389
Retail	SF	$ 7.50	$ 7.50
Service	SF	$ 4.75	$ 4.75
Industrial	SF	$ 1.81	$ 1.81

Our experience historically is that it requires 3 to 6 months for various WRCOG agencies to adopt an updated fee schedule. Because of the time frame, WRCOG recommends that the initial CCI increase be scheduled to take effect on July 1, 2020. This period of time will allow ample time for WRCOG to notify its member agencies and developers in the Region that the fee will be increasing.

The final fee increase for the single-family residential would occur on January 1, 2021. This recommendation is consistent with the direction of PWC and TAC which identified a need to phase-in the single-family residential increase. Implementing the CCI increase will generate additional revenues for the TUMF Program, resulting in approximately 5% additional revenue per year after the implementation of the CCI.

WRCOG reviewed each of these fee increases in terms of overall development costs, as identified in the updated Fee Comparison Study (April 2019). As shown in the table below, the fee increase will have a nominal increase in overall fees and development costs.

Land Use Type	Units	Percentage Increase in Fees (with CCI)	Percentage Increase in Development Costs (with CCI)
Single-Family Residential	DU	1%	0.07%
Multi-Family Residential	DU	1%	0.08%
Retail	SF	0%	0.00%
Service	SF	1%	0.06%
Industrial	SF	1%	0.03%

To illustrate the limited impact of the CCI adjustment, consider fees and costs associated with a single-family home. Based on the data collected by WRCOG and summarized in the 2019 Fee Comparison Study, a prototypical single-family home (3,000 square feet) pays approximately $47,000 in all impact fees including traffic, water / sewer, park, school, and other City fees. That home, on average, has a sale price of $561,000. A $400 increase in TUMF fees would result in a 1% increase in all of the fees ($400 / $47,000) and an overall impact in the cost of a house of 0.07% ($400 / $561,000). Therefore, staff would note that this fee increase would have a nominal effect on overall fees and home prices.

Prior Actions:

July 18, 2019: The Technical Advisory Committee recommended that the Executive Committee implement the CCI with the actions approved by the Executive Committee as part of the 2016 Nexus Study in July 2017 (maintain the retail reduction and continue the phase-in for single-family residential).

June 13, 2019: The Public Works Committee recommended that the Executive Committee implement the CCI with the actions approved by the Executive Committee as part of the 2016 Nexus Study in July 2017 (maintain the retail reduction and continue the phase-in for single-family residential).

Fiscal Impact:

Adopting a CCI increase would increase revenues generated by the TUMF Program by approximately 5% in the 2020/2021 Fiscal Year.

Attachment:

None.