Western Riverside Council of Governments
Finance Directors Committee

AGENDA

Thursday, October 26, 2017
1:00 p.m.

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

PLEASE NOTE LOCATION

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the Finance Directors Committee meeting, please contact WRCOG at (951) 955-8308. 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 Finance Directors Committee may take any action on any item listed on the agenda, regardless of the Requested Action.

1. CALL TO ORDER (Rochelle Clayton, Chair)

2. SELF INTRODUCTIONS

3. PUBLIC COMMENTS

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

4. CONSENT CALENDAR

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

A. **Summary Minutes from the July 27, 2017, Finance Directors Committee Meeting are Available for Consideration.** **P. 1**

Requested Action: *1. Approve the Summary Minutes from the July 27, 2017, Finance Directors Committee meeting.*

B. **Finance Department Activities Update** ***Ernie Reyna*** **P. 5**

Requested Action: *1. Receive and file.*

C. **1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018** ***Ernie Reyna*** **P. 11**

Requested Action: *1. Recommend that the Executive Committee approve the 1st Quarter draft Budget amendment for Fiscal Year 2017/2018.*

D. **Finance Directors Committee 2018 Meeting Schedule** ***Ernie Reyna*** **P. 23**

Requested Action: *1. Approve the Schedule of Finance Directors Committee meetings for 2018.*

5. REPORTS/DISCUSSION

A. **Regional Streetlight Program Activities Update** ***Tyler Masters, WRCOG*** **P. 29**

Requested Action: *1. Receive and file.*

B. **Fiscal Year 2016/2017 Financial Statement Presentation** ***Ernie Reyna, WRCOG*** **P. 35**

Requested Action: *1. Receive and file.*

C. **The Economy and Financial Markets** ***Ernie Reyna, WRCOG*** **P. 37**

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 Finance Directors Committee meetings.

7. GENERAL ANNOUNCEMENTS ***Members***

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

8. NEXT MEETING:

The next Finance Directors Committee meeting is scheduled for Thursday, January 25, 2018, at 1:00 p.m., WRCOG, Citrus Conference Room, 3390 University Avenue, Suite #450, Riverside, CA, 92501.

9. ADJOURNMENT

1. CALL TO ORDER

The meeting of the Finance Directors' Committee was called to order at 10:02 a.m. by Ernie Reyna at the County Administrative Center, 3rd Floor in Conference Room A.

2. SELF INTRODUCTIONS

Members present:

Rochelle Clayton, City of Banning
Suzanne Cook, City Banning
Melana Taylor, City of Beaumont
Terry Shea, City of Canyon Lake
Kerry Eden, City of Corona
James Riley, Cities of Eastvale and Wildomar
Nancy Lassey, City of Lake Elsinore
Marshall Eyerman, City of Moreno Valley
Linda Le, City of Murrieta
Karrie Swaine, City of Murrieta
Jennifer Erwin, City of Perris
Adam Raymond, City of Riverside
Andy Ramirez, City of San Jacinto (arrived 10:16 a.m. arrival)
Matthew Schenk, March Joint Powers Authority (10:07 a.m. arrival)
Damon Smith, Riverside County Superintendent of Schools

Staff present:

Ernie Reyna, Chief Financial Officer
Casey Dailey, Director of Energy & Environmental Programs
Andrew Ruiz, Program Manager
Tyler Masters, Program Manager
Anthony Segura, Staff Analyst
Cynthia Mejia, Staff Analyst
Lupe Lotman, Executive Assistant

Guests present:

Farid Dost, City of Lake Elsinore
Candace Cassel, City of Moreno Valley
Jeanette Olko, City of Moreno Valley
Laura Franke, Public Financial Management
Kurt Schneider, CalPERS
Mrunal Shah, Best Best & Krieger

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR – *(Moreno Valley/Murrieta) 10 yes; 0 no; 0 abstention. Items 4.A through 4.D were approved by the Committee as a whole. The Cities of Calimesa, Hemet, Jurupa Valley, Menifee, Norco, San Jacinto, Temecula, the County of Riverside, the Eastern Municipal Water District, Western Municipal Water District, and the Morongo Band of Mission Indians were not present.*

A. Summary Minutes from the March 23, 2017, Finance Directors Committee meeting are available for consideration.

Action: *1. Approved the Summary Minutes from the March 23, 2017, Finance Directors Committee meeting.*

B. Financial Report Summary through June 2017

Action: *1. Received and filed.*

C. Finance Department Activities Update

Action: *1. Received and filed.*

D. 4th Quarter draft Budget amendment for Fiscal Year 2016/2017

Ernie Reyna pulled this item to inform the Committee members that WRCOG HERO Program revenues will be decreased by $796,165, and the California HERO Program will be reducing its revenues by $1,899,952. In total, the Energy Department will be reducing revenues by $2,827,427. The Program's budget as a whole is still balanced, and $4M in net revenue is still being projected for Fiscal Year 2016/2017.

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 2017/2018

Ernie Reyna reported that it is time for new elections of leadership for this Committee. Typically, the leadership follows the same order as WRCOG's Executive Committee. If this Committee follows suit, Committee member Rochelle Clayton from the City of Banning would serve as Chairwoman, Ivan Chand from the County of Riverside would serve as Vice-Chair, and the Finance Director from the City of Hemet (currently vacant) would serve as the 2nd Vice-Chair.

Action: *1. Selected Rochelle Clayton, City of Banning, and as Chairwoman, Ivan Chand, County of Riverside, as Vice-Chair; currently there is no representative from the City of Hemet.*

M/S/A (Moreno Valley/Canyon Lake) 11-0-0; Item 5.A was approved by unanimous vote of those members present. The Cities of Calimesa, Hemet, Jurupa Valley, Menifee, Norco, San Jacinto, Temecula, the County of Riverside, the Morongo Band of Mission Indians, and the Eastern Municipal Water District, the Western Municipal Water District, and the Morongo Band of Mission Indians were not present.

B. Regional Streetlight Program Activities Update

Laura Franke reported that Public Financial Management (PFM) is negotiating the Terms and Conditions on the legal documents of the Streetlight Program, which each city will be approving and authorizing with Banc of America. In May and June, PFM visited all the participating cities to discuss the updated assumptions and to review the conceptual financing terms. In the fall, Purchase & Sales Agreements (PSA) will be presented at City Council meetings. Six out of 11 cities have returned the amendments. Within the resolution packages will include an authorizing resolution and forms for specific transactions. This would include a term of up to 15 years, plus an installation period which cannot exceed one year. It is being recommended that all of the cities borrow on a taxable basis so cities can earn revenue from advertising.

Semi-annual payments of principal and interest and prepayments are due after the 5th anniversary of the closing date with a 2% premium. The revenue generation is unrestricted. The cities will have ownership of the lamps. The document package includes 1) Financial Resolution; 2) Equipment Lease / Purchase Agreement; 3) Escrow Agreement; and 4) Implementation Agreement.

Committee member James Riley asked if Banc of America is looking at each entity for financing.

Ms. Franke replied that each city will have had their own credit approved.

Committee member Marshall Eyerman asked if there are any provisions to prepay.

Ms. Franke responded that there are no provisions.

Committee member Eyerman asked where WRCOG is with the retrofit standard.

Tyler Masters replied that WRCOG has met with representatives from the Cities of Lake Elsinore, Murrieta, San Jacinto, and Temecula to conduct a second interview to provide a service provider for the retrofit and operations & maintenance. WRCOG is also closing out the process of the Request for Proposal.

Ms. Franke briefly indicated that the finance documents will be distributed to cities in August. Vendor selection is expected to be complete in August, with the finalization of contracts in September. In October or November the California Public Utilities Commission (CPUC) will begin the process and set up the financing calendar. Once the documents are back from the CPUC, Southern California Edison has 60 days for true-ups. PFM would be closing out the financing as early as January 2018.

The final PSA will be a review from the bank.

<u>Action</u>: *1. Received and filed.*

C. CalPERS Presentation on Pension Costs and Where are they Going

Kurt Schneider provided a very thorough presentation on where pension costs are heading in the near future. Mr. Schneider explained that if anticipated expected returns are less than the discount rate, either future losses will outweigh future gains, or the discount rate will be reduced to match the expected return on assets. Mr. Schneider reported that the CalPERS Board elected to reduce the discount rate in three steps. A normal cost (determined as a percentage of payroll) and Unfunded Accrued Liability Payment (determined as a dollar amount) are called "Dollar Billing" and are required contributions for Public Agencies. The Amortization Policy is designed to pay down unfunded liability faster with a five year direct rate smoothing. Asset liability management framework is an integrated approach that considers assets, liability and risk to ensure the sustainable funding of the system. The Board adopted a 10-year capital market assumptions in June 2017 and anything beyond 10 years will be developed by the Actuarial Office. The Board will select asset allocation in November 2017. The asset allocation chosen will determine the discount rate. The Government Finance Officers Association recommends that every state and local government that offers defined benefit pensions formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner. CalPERS will determine the minimum required contribution, but agencies are free to contribute based on their own funding policies, subject to the minimum requirement. Accelerated funding can be done two ways; either with additional discretionary payment, or by changing amortization bases. Lastly, the California Society of Municipal Finance Officers magazine is a perfect additional resource.

Committee member Kerry Eden mentioned that she heard CalPERS is looking into creating a trust fund that is similar to what PARS offers.

Committee member Terry Shea indicated that each city could create its own fund. There are five or six other companies that can set up the fund for you.

Action: *1. Received and filed.*

6. ITEMS FOR FUTURE AGENDAS

One topic of discussion for the next meeting could include the Community Development Block Program, which funds different community projects like affordable housing. Committee Member Charles Turner recommended that SB 341 be discussed, as well as the Redevelopment Agency and Local Agency Formation Commission progress.

7. GENERAL ANNOUNCEMENTS

Ernie Reyna announced that WRCOG is in the process of moving to its new office, the 4th floor in the Citrus Tower Building, by the end of this year. After its October meeting, the Committee will begin to meet quarterly instead of bi-monthly with a time change from 10:00 a.m. to 1:00 p.m.

8. NEXT MEETING **The next Finance Directors Committee meeting scheduled for Thursday, September 28, 2017, will be cancelled.**

The next Finance Directors Committee meeting is scheduled for Thursday, October 26, 2017, at 1:00 p.m. in the County of Riverside Administrative Center, 4080 Lemon Street, 5th Floor, Conference Room D.

9. ADJOURNMENT **The meeting of the Finance Directors Committee meeting adjourned at 11:33 a.m.**

Item 4.B

Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **Finance Department Activities Update**

Contact: **Ernie Reyna, Chief Financial Officer, ereyna@wrcog.us, (951) 955-8432**

Date: **October 26, 2017**

The purpose of this item is to *provide an update on the financial audit of Fiscal Year (FY) 2016/2017, the FY 2016/2017 4th Quarter Budget amendment, and the upcoming annual TUMF review for FY 2016/2017.*

Requested Action:

1. Receive and file.

Financial Audit

Auditors from Rogers, Anderson, Malody, & Scott (RAMS) concluded the interim and final fieldwork portion of the financial audit for the Agency. RAMS reviewed payroll, accounts payable, and all other areas of WRCOG's accounting system. The final Comprehensive Annual Financial Report (CAFR) is expected to be issued no later than November 15, 2017, and will be reviewed by the Finance Directors Committee at its quarterly meeting on October 26, 2017. Staff will present the CAFR at the November 8, 2017, Administration & Finance Committee meeting, the Technical Advisory Committee on November 16, 2017, and to the Executive Committee on December 4, 2017.

Budget Amendment

September 30, 2017, marked the 1st quarter of FY 2017/2018, and the Administration & Finance Committee was presented with the Budget amendment report at its October 11, 2017, meeting. The Technical Advisory Committee received the report at its October 19, 2017, meeting, and it is expected the Executive Committee will consider the report at its November 6, 2017, meeting. Additional information regarding budget amendments can be found on item 4.C of this agenda.

Annual TUMF Review

WRCOG is conducting reviews of TUMF collections by participating agencies for FY 2016/2017. The reviews provide WRCOG an opportunity to meet with staff that are assigned to TUMF, including planning, public works, and finance staff. During the review, WRCOG will randomly select remittance reports to review and verify that the correct land use type has been used and that fees have been calculated properly. The reviews are expected to conclude by December 2017, with reports being issued to City Managers / Agency heads in January 2018.

Financial Report Summary Through September 2017

The Agency Financial Report summary, a monthly overview of WRCOG's financial statements in the form of combined Agency revenues and costs, through September 2017 is provided as Attachment 1.

Prior Actions:

October 19, 2017: The Technical Advisory Committee received report.
October 11, 2017: The Administration & Finance Committee received report.
October 2, 2017: The Executive Committee received report.

Fiscal Impact:

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

Attachment:

1. Financial Report summary – September 2017.

Item 4.B

Finance Department Activities Update

Attachment 1

Financial Report Summary – September 2017

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Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending September 30, 2017

Revenues	Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	Remaining 6/30/2018 Budget
General Assembly	300,000	18,800	281,200
WRCOG HERO Residential Revenue	816,771	400,393	416,378
CA HERO Residential Revenue	7,639,575	1,399,513	6,240,062
SCE WREP Revenue	75,000	14,438	60,562
WRCOG HERO Residential Recording Revenue	182,775	79,200	103,575
CA HERO Residential Recording Revenue	1,508,036	245,520	1,262,516
CA First Residential Revenue	167,000	8,426	158,574
CA First Residential Recording Revenue	86,000	3,159	82,841
Other Misc Revenue	-	5,921	(5,921)
Active Transportation Revenue	150,000	80,567	69,433
RIVTAM Revenue	-	25,000	(25,000)
Commercial/Service - Admin Portion	101,097	14,753	86,344
Retail - Admin Portion	118,867	50,239	68,629
Industrial - Admin Portion	249,133	172,285	76,848
Residential/Multi/Single - Admin Portion	1,045,779	335,760	710,019
Multi-Family - Admin Portion	129,787	15,453	114,334
Commercial/Service - Non-Admin Portion	2,426,945	354,076	2,072,869
Retail - Non-Admin Portion	2,852,820	1,205,733	1,647,087
Industrial - Non-Admin Portion	5,979,195	4,134,842	1,844,353
Residential/Multi/Single - Non-Admin Portion	25,098,070	8,058,228	17,039,842
Multi-Family - Non-Admin Portion	3,114,890	370,869	2,744,020
Total Revenues	**62,996,435**	**16,993,175**	**46,003,261**

Expenditures			
Wages & Salaries	2,584,095	466,133	2,117,962
Fringe Benefits	739,956	175,167	564,789
Total Wages and Benefits	3,384,051	641,299	2,742,751
			-
Overhead Allocation	2,219,371	547,363	1,672,008
Audit Fees	27,500	10,200	17,300
Bank Fees	29,000	11,872	17,128
Commissioners Per Diem	62,500	12,000	50,500
Office Lease	427,060	34,312	392,748
Parking Validations	4,775	990	3,785
Event Support	112,600	19,293	93,307
General Supplies	66,536	2,566	63,970
Computer Supplies	12,500	1,732	10,768
Computer Software	18,000	11,577	6,423
Rent/Lease Equipment	35,000	6,308	28,692
Membership Dues	31,950	6,636	25,314
Subcriptions/Publications	6,500	153	6,347
Meeting Support/Services	12,100	921	11,179
Postage	8,155	1,265	6,890
Other Household Expenditures	4,880	666	4,214
Storage	1,000	3,502	(2,502)
Computer Hardware	1,000	1,643	(643)
Misc. Office Equipment	-	688	(688)
Communications-Regular	1,000	2,571	(1,571)

Communications-Long Distance	500	57	443
Communications-Cellular	12,677	1,723	10,954
Communications-Web Site	5,600	255	5,345
Equipment Maintenance - General	11,000	4,061	6,939
Equipment Maintenance - Computers	25,000	4,158	20,842
Insurance - General/Business Liason	72,950	32,756	40,194
PACE Recording Fees	1,862,811	177,979	1,684,832
Seminars/Conferences	24,550	2,400	22,150
General Assembly Expenditures	304,200	8,148	296,052
Travel - Mileage Reimbursement	15,700	3,564	12,136
Travel - Ground Transportation	13,100	208	12,892
Travel - Airfare	28,704	1,788	26,916
Meals	10,419	786	9,633
Other Incidentals	13,358	2,970	10,388
Training	14,321	4,427	9,894
Supplies/Materials	35,117	11,525	23,592
Consulting Labor	3,659,928	160,421	3,499,507
Consulting Expenses	72,865	33,966	38,899
TUMF Project Reimbursement	39,000,000	2,935,880	36,064,120
BEYOND Expenditures	2,052,917	19,707	2,033,210
Total General Operations	61,181,206	4,083,039	57,098,167
Total Expenditures	**64,565,257**	**4,724,338**	**59,840,918**

Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018**

Contact: **Ernie Reyna, Chief Financial Officer, ereyna@wrcog.us, (951) 955-8432**

Date: **October 26, 2017**

The purpose of this item is to *request approval of WRCOG's 1st Quarter Draft Budget Amendments for Fiscal Year (FY) 2017/2018, as identified in the attachment to this staff report. The summary will include increases and/or decreases to both revenues and expenditures, by department.*

Requested Action:

1. Recommend that the Executive Committee approve the 1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018.

General Fund

For the 1st Quarter of FY 2017/2018, there will be no adjustments made to the General Fund budget.

Revenue increase to the General Fund: ***$0***
Expenditure increase to the General Fund: ***$0***

Transportation Department

The TUMF Program will be decreasing the Local Transportation Fund (LTF) revenue. When the budget was created, the projection was that the LTF funds, allocated to WRCOG by the Riverside County Transportation Commission (RCTC), were estimated to be $825,000 based on previous year receipts. LTF Funding varies depending on revenue received by RCTC, which is then distributed to WRCOG and the Coachella Valley Association of Governments (CVAG). The actual amount of the allocation is determined via a formula and therefore can vary on a yearly basis. The FY 2017/2018 allocation from RCTC was determined to be $726,000. Based on this revised allocation, there will be a reduction of $99,000 in revenue. This reduction in revenue will be partially offset through the receipt of $25,000 from the County of Riverside, which is an initial payment for an update of the Riverside County Traffic Analysis Model (RIVTAM), which will be jointly funded through efforts between WRCOG, RCTC, Riverside County, and the Coachella Valley Association of Governments. The net loss in revenue of $74,000 will be offset through corresponding reductions in expenditures, particularly for consultant expenses. The Transportation Department will still maintain a balanced budget as the TUMF revenue projections will remain the same and will cover all anticipated expenditures.

WRCOG has received the first payment from the City of Beaumont related to the settlement between WRCOG and the City. This initial payment is in the amount of $4.1 million, which is shown as increased revenue for the Transportation Department under the TUMF Program. WRCOG will be allocating these funds to projects in the City of Banning (Highland Springs Avenue interchange) and the City of Calimesa (Cherry Valley Boulevard), so there will be a corresponding increase in TUMF expenditures. WRCOG will be providing these funds to these

Cities on a reimbursement basis. Additional funds received by WRCOG related to the settlement will be reflected in a similar fashion with an increase in revenue and a corresponding increase in expenditures.

Revenue increase to Transportation Department: $4,026,000
Expenditure increase to Transportation Department: $4,100,000

Energy Department

Staff presented at the July 2017 Administration & Finance Committee meeting to bring forward the 1st Quarter Budget adjustment to decrease the California HERO Program projected revenues by $1.8 million. When the FY 2017/2018 Budget was drafted in February 2017, the anticipated revenues were based on actuals and trends from the launch of the Program to date. The original Budget projected $7.6 million in revenues, but that is now being revised down to $5.8 million for this fiscal year. Staff believes this reduction is more indicative of how the rest of the fiscal year will finish due to market competition from other PACE Program providers operating in California.

In addition, the recording revenue in the California HERO Program will decrease by $500,000 to match the projected revenue reductions. This will be offset by a $500,000 reduction in recording expenditures.

Finally, it was anticipated that the residential provider, Spruce Finance, would be operational under the WRCOG PACE umbrella at the beginning of FY 2017/2018, so revenues were budgeted at $253,000 between recording and residential revenues. It is now expected that Spruce will not be up and running until later in the fiscal year, so staff is reducing revenue (residential plus recording) down to $50,000 in total, or a reduction of $203,000.

Revenue decrease to Energy Department: $2,511,036
Expenditure decrease to Energy Department: $508,036

Environment Department

For the 1st Quarter of FY 2017/2018, there will be no adjustments made to the Environment budget.

Revenue decrease to the Environment Department: $0
Expenditure increase to the Environment Department: $0

Prior Actions:

October 19, 2017: The Technical Advisory Committee recommended that the Executive Committee approve the 1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018.

October 11, 2017: The Administration & Finance Committee recommended that the Executive Committee approve the 1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018.

Fiscal Impact:

General Fund: No adjustments made to revenue or expenditures for the 1st Quarter of FY 2017/2018.

Transportation: Revenues for LTF will be reduced by $99,000, and there will also be a $25,000 increase for RIVTAM revenue.

Energy: Revenues for the PACE Programs will be reduced by $2M and expenditures by $508k for the 1st Quarter. With the reductions in revenue within the Energy Program, the Budget remains balanced and the anticipated carryover projection will be $3M for the Fiscal Year.

Environment: No adjustments made to revenue or expenditures for the 1st Quarter of FY 2017/2018.

Attachment:

1. Annual Budget for the year ending June 30, 2018, with 1st Quarter amendments.

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Item 4.C

1st Quarter Draft Budget Amendment for Fiscal Year 2017/2018

Attachment 1

Annual Budget for the year ending June 30, 2018, with 1st Quarter amendments

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Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2018

Department: Transportation (Summary)				
		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
40001	Beaumont Settlement Revenue	-	4,100,000	4,100,000
41000	LTF Revenue	825,000	726,000	(99,000)
42001	RIVTAM Revenue	-	25,000	25,000
	Total Revenues	-	-	**4,026,000**
	Expenditures			
85160	TUMF Project Reimbursement	-	-	4,100,000
	Total General Operations	-	-	**4,100,000**
	Total Net Revenue Increase/(Decrease)			**$ (74,000)**

Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2018

Department: Transportation (TUMF - 1148)		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
40001	Beaumont Settlement Revenue	-	4,100,000	**4,100,000**
	Expenditures			
85160	TUMF Project Reimbursement			**4,100,000**
	Total General Operations	-	-	**4,100,000**
	Total Net Revenue Increase/(Decrease)			**$ -**

Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2018

Department: Transportation (RIVTAM - 2039)		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
42001	RIVTAM	-	25,000	**25,000**
	Total Revenues	-	-	**25,000**
	Total Net Revenue Increase/(Decrease)			**$ 25,000**

Department: Energy (Summary)

		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
40603	CA HERO Revenue	7,639,575	1,439,259	**(1,800,000)**
40611	CA HERO Recording	1,508,036	245,520	**(508,036)**
40620	Spruce Residential Revenue	167,000	-	**(132,000)**
40623	Spruce Residential Recording Revenue	86,000	-	**(71,000)**
	Total Revenues	9,400,611	1,684,779	**(2,511,036)**
	Expenditures			
	General Operations			
73506	WRCOG/CA HERO - Recording Fee	1,508,036	146,685	**(508,036)**
	Total General Operations	1,508,036	146,685	**(508,036)**
	Total Net Revenue Increase/(Decrease)			**(2,511,036)**
	Total Net Expenditure Increase/(Decrease)			**(508,036)**

Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2018

Department: Spruce (2102)		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
40620	Spruce Residential Revenue	167,000	-	**(132,000)**
40623	Spruce Residential Recording Revenue	86,000	-	**(71,000)**
	Total Revenues	**253,000**	**-**	**(203,000)**
	Total Net Revenue Increase/(Decrease)			**$ (203,000)**

Western Riverside Council of Governments
Annual Budget
For the Year Ending June 30, 2018

Department: Energy (California HERO - 5000)		Approved 6/30/2018 Budget	Thru 9/30/2017 Actual	**Amendment Needed 9/30/2017**
	Revenues			
40603	CA HERO Revenue	7,639,575	1,439,259	**(1,800,000)**
40611	Recording Fee Revenue	1,508,036	245,520	**(508,036)**
	Total Revenues	9,147,611	1,684,779	**(2,308,036)**
	Expenditures			
	General Operations			
73506	Recording Fee	1,508,036	146,685	**(508,036)**
	Total General Operations	1,508,536	152,407	**(508,036)**
	Total Net Revenue Increase/(Decrease)			**(2,308,036)**
	Total Net Expenditure Increase/(Decrease)			**(508,036)**

Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **Finance Directors Committee 2018 Meeting Schedule**

Contact: **Ernie Reyna, Chief Financial Officer, ereyna@wrcog.us, (951) 955-8432**

Date: **October 26, 2017**

The purpose of this item is to *provide and obtain approval of a meeting schedule for 2018.*

Requested Action:

1. Approve the Schedule of Finance Directors Committee meetings for 2018.

Attached are the proposed meeting dates for the 2018 Finance Directors Committee (FDC) meetings. All FDC meeting dates are proposed quarterly for the fourth Thursday of the month. **Note: Future FDC meetings will be held at WRCOG's new office located at 3390 University Avenue, 4th floor, in Riverside.**

January 25, 2018 – 1:00 P.M.

April 26, 2018 – 1:00 P.M.

July 26, 2018 – 1:00 P.M.

October 25, 2018 – 1:00 P.M.

Prior Action:

None.

Fiscal Impact:

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

Attachment:

1. Schedule of Finance Directors Committee meetings for 2018.

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Item 4.D

Finance Directors Committee 2018 Meeting Schedule

Attachment 1

Schedule of Finance Directors Committee meetings for 2018

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WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS
SCHEDULE OF MEETINGS FOR 2018

WRCOG Standing Committees	Day	Time	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Finance Directors Committee	4th Thurs.	1:00 p.m.	25	-	-	26	-	-	26	-	-	25	-	-

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Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **Regional Streetlight Program Activities Update**

Contact: **Tyler Masters, Program Manager, tmasters@wrcog.us, (951) 955-8378**

Date: **October 26, 2017**

The purpose of this item is to *provide the Committee with an update on the regional financing next steps that member jurisdictions can utilize as they begin to acquire their streetlights, retrofit to LED lights, and continue to participate in the Program.*

Requested Action:

1. Receive and file.

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

Background

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

The Program seeks to provide cost-efficiencies for local jurisdictions through the purchase, retrofit, and maintenance of streetlights within jurisdictional boundaries, without the need of additional jurisdictional resources. As a regional Program, WRCOG is working with participating jurisdictions to move through the acquisition process, develop financing recommendations, develop and update regional and community-specific streetlight standards, and implement a regional operations & maintenance (O&M) agreement that will enhance the level of service currently provided by SCE.

Regional Streetlight Acquisition Update

To date, 11 jurisdictions (listed below) have decided to move forward and have signed their Purchase and Sales Agreements to acquire current SCE-owned streetlights within their jurisdictional boundaries. Collectively, these account for nearly 48,000 streetlights within Western Riverside County. Once each Agreement is signed by the jurisdiction, SCE will transmit the Agreement to the California Public Utilities Commission (CPUC) for review and approval. The CPUC approval process can take up to 12 months (depending on valuation price of the streetlights). Jurisdictions with estimated streetlight sales prices exceeding $5 million will move forward in the CPUC process as a "full filing," which requires further CPUC action and can take upwards of four to twelve months for approval. According to other southern California cities that have successfully progressed through the process, the timeline was slightly quicker for CPUC approval of full filings; on average the timing is closer to four months. Jurisdictions with estimated streetlights sales prices of under $5 million will move forward in the CPUC process as an “advice filing,” and can be administratively approved within two to six months.

On August 30, 2017, SCE filed the City of Murrieta’s application with the CPUC. Murrieta is the first city in Western Riverside County to enter this phase of the process. Additionally, on September 25, 2017, SCE filed the City of Temecula’s application with the CPUC. Temecula is now the second city in Western Riverside County to enter this phase of the process and the remaining nine jurisdictions are nearing this stage. Staff will keep the WRCOG Committees updated as jurisdictions progress through the acquisition process.

Acquisition process schedule: The table below provides the estimated status for each jurisdiction participating in the Program. While Murrieta and Temecula have advanced to the CPUC for approval of streetlight acquisition, the nine remaining jurisdictions are awaiting SCE’s submission of the Agreements to the CPUC. Staff estimated the next batch of WRCOG cities to advance to the CPUC as early as Mid-October. This timeline is tentative and subject to change depending on review conducted by SCE and the CPUC.

Acquisition Process	**Amendment Executed**	**SCE sends to CPUC**	**CPUC approval date**	**SCE transition start**	**Estimated retrofit start**
Retrofit, O&M, LED fixture, and financing GOALS			Retrofit, O&M service selection GOAL	Finance Closing and LED selection GOAL	LED fixture delivery date GOAL
Example City	*Start date*		*+ 45 days (120 for full)*	*+ 60 days*	*+ 30 days*
Eastvale	7/26/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Hemet	8/7/2017	10/18/2017	11/20/2017	1/17/2018	2/19/2018
Jurupa Community Services District	7/20/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Lake Elsinore	8/9/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Menifee	8/1/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Moreno Valley	9/19/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Murrieta	7/27/2017	8/30/2017	10/14/2017	12/13/2017	1/12/2018
Perris	8/8/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
San Jacinto	8/7/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
Temecula	7/24/2017	9/25/2017	1/23/2018	3/24/2018	4/23/2018
Wildomar	7/24/2017	10/18/2017	12/2/2017	1/31/2018	3/2/2018
				One phase = 3,000/poles/month	

Financing update

In March 2016, WRCOG released a Request for Bids (RFB) to select a vendor that would provide a financing option to member jurisdictions for the acquisition process at a competitive rate. As part of the RFB process, WRCOG received four proposals for consideration. An evaluation committee comprised of WRCOG and its financial advisors, Public Financial Management (PFM), conducted analysis and interviewed proposers on April 15 and 19, 2016. The evaluation committee selected Bank of America as the most responsive and best option for serving as the financing lender for the Regional Streetlight Program.

Bank of America demonstrates the following attributes:

1. Ability to provide financing to all participating jurisdictions in the Program
2. Provide financing for both purchase and LED retrofit
3. Streetlights accepted as sole collateral

4. Able to finance as either taxable or tax-exempt debt
5. Smart City usage permitted
6. The qualifications and experience of the proposing firm
7. Competitive fee proposal for all jurisdictions

During the week of October 9, 2017, WRCOG distributed the draft program participation and financing documents to the participating jurisdictions for review. Staff has requested that jurisdictional comments be submitted by October 25, 2017, so that the Streetlight team can report back to Bank of America and initiate their final review before the Financing documents are final. The draft financing documents distributed included:

1. **Financing Resolution:** This document will be approved at City Council / Board meetings to authorize the financing. The Resolution will define a "Not to Exceed" amount which will include an amount adequate to cover any contingencies that may be identified during the true-up or retrofit process.
2. **Equipment Lease / Purchase Agreement:** Defines all of the lease definitions, city covenants, and details related to the terms of the lease. The financing terms will be filled in as we approach the closing date, to include the final amount borrowed, interest rate, and payment schedule.
3. **Escrow Agreement:** Governs the account that will be set up for the jurisdiction at Banc of America with the proceeds of the lease. Rather than the jurisdiction receiving monies at the closing, all funds will be deposited to the escrow account for payment of invoices submitted by the jurisdiction for payments made to SCE for acquisition and Siemens / WRCOG for retrofit services.
4. **Implementation Agreement:** This agreement is between the jurisdiction and WRCOG for the program management services associated with the aggregated services provided for the acquisition, retrofitting and ongoing O&M.
5. **Paying Agent Agreement:** This agreement will identify Wells Fargo as the paying agent, whose role is to support the ongoing payments made to multiple parties under the Program. In an effort to streamline the processing needed by the cities, WRCOG / PFM set this up so that the jurisdiction would make single payments, semi-annually, to the paying agent for all components of the Program in which the jurisdiction is participating. Therefore, twice a year in December & June, the jurisdiction will make a payment that will include the debt service (principal and interest) paid to Banc of America, as well as administrative services, O&M, and, in later years, re-lamp reserve. The paying agent will then disburse the funds in the schedule amounts to the correct parties without the jurisdiction having to schedule multiple payments.

During the month of October 2017, WRCOG staff and PFM, held finance meetings with the jurisdictions moving forward with the streetlight acquisition to provide an update on the regional financing option that Banc of America can provide. During these meetings, jurisdictional staff was provided with information on the Program participation and finance documents (see above) for upcoming City Council / Board approval as well as informing the jurisdictions about their updated cash flow models which take into account the funding amount that each jurisdiction will need to purchase the streetlights, retrofit them to LED, operate and maintain the streetlights, and implement a re-lamp reserve for future LED lighting. The dates of the meetings that occurred during the month of October are as follows:

1. City of Eastvale: October 10, 2017
2. City of Hemet: October 4, 2017
3. City of Lake Elsinore, October 18, 2017
4. City of Menifee: October 16, 2017
5. City of Moreno Valley: October 16, 2017
6. City of Murrieta: October 16, 2017
7. City of Perris: October 17, 2017
8. City of San Jacinto: October 16, 2017
9. City of Temecula: October 5, 2017
10. City of Wildomar: October 10, 2017
11. Jurupa Community Services District: October 16, 2017

Furthermore, PFM and WRCOG staff have worked with Banc of America Leasing & Capital this past year to develop the following financing structure:

Structure	Equipment Leaser Purchase Agreement
Lessee	Jurisdiction
Lessor	Banc of America Leasing & Capital
Security	Security interest in the equipment being financed will be evidenced by filing a UCC-1 Financing Statement with respect to the equipment
Term	Up to 15 years, plus installation period of 12 months
Financed Amount	Amount adequate to purchase and retrofit to LED all streetlights and any reasonable related soft costs, plus 5% contingency
Indicative Interest Rate	Based on the average life U.S. Treasury Rate Swap plus a spread. Taxable lease recommended for compliance with tax laws relative to pole revenues
Payments	Semi-annual payments – December and June
Option Prepayment	In whole on an payment date after the 5th anniversary of the closing date with a 2% premium
Optional payments in addition to Principal & Interest	Program established: Operation & Maintenance including administration, re-lamp reserve
Revenue Generation	Unrestricted by lessor

*Taxable rate recommended to retain revenue potential due to revenue generation restrictions on tax-exempt financing.

The next steps for the Program is to finalize the financing documents and coordinate with the jurisdictions moving forward to take the documents for approval at their City Council / Board meetings. Staff will be working with the jurisdictions who are in the process to assist with any programmatic services for these meetings such as presentation assistance and staff reports.

WRCOG & Siemens Industry Professional Services Agreement

In March 10, 2017, WRCOG released a Request for Proposal (RFP) for streetlight retrofit and operations & maintenance of the lighting fixtures which are in the process of being acquired by participating jurisdictions. With several jurisdictions moving forward with acquisition, SCE will no longer provide operations or maintenance on the acquired streetlights. SCE will continue to maintain any of the underground wiring that connects these streetlights to SCE's grid; however, the city will own, and need to maintain and operate, the streetlight fixture and pole from the base of the pole and up.

The purpose for releasing the RFP was to select a vendor that will provide cost effective retrofit and operation & maintenance needs to support the transition of current streetlight technologies (high- and low-pressure sodium vapor) lights to LED lighting, maintain / respond to streetlight knockdown / damaged poles, keeping in account economies of scale and increasing the level of services to the participating jurisdictions in Western Riverside County. Furthermore, the selected vendor will work with WRCOG and jurisdictional staff to provide supplemental assistance with the recording documents of each streetlight, installation of housing shields, complying with all state mandated laws, and coordinating with the removal and disposal of any existing luminaire heads / hazardous materials.

The WRCOG RFP Evaluation Committee (comprised of representatives from WRCOG and its financial advisors, and representatives from the Cities of Lake Elsinore, Murrieta, San Jacinto and Temecula) found Siemens Industry to have demonstrated experience in streetlight retrofit and maintenance projects, competitive pricing, and capacity to maintain and improve upon existing level of service for streetlight related tasks.

At the October 2, 2017, Executive Committee meeting, the Committee directed the Executive Director to enter into a contract agreement with Siemens Industry, Intelligent Traffic Systems, for a regional streetlight retrofit and ongoing O&M services in an amount not to exceed $5,913,073 over a five-year contract period subject to legal counsel review and approval.

The Scope of Work (SOW), as part of the Siemens Agreement, lists the services Siemens will provide to participating jurisdictions. The jurisdictions that participate in the Regional Program are also able to include its current jurisdiction-owned streetlights and signalized intersection safety lights, etc. For the duration of the contract, the services provided by Siemens will include, but are not limited to the following:

Project Development / Implementation / Routine maintenance (Pre & Post LED conversion):

1. Installation of streetlight identification pole tags
2. LED streetlight retrofits
3. Installation of housing shields (if necessary)
4. Maintenance of HPS / LPS fixtures (prior to LED installation)
5. Installation of HPS / LPS housing shields (if necessary)
6. Maintenance of LED streetlights
7. Replacement of LED streetlights
8. Implementation and administration of a 24/7 customer service portal
9. LED fixtures warranty processing
10. Photocell, fuse, fuse holder, hand hole cover maintenance
11. Quarterly review of system operations (including night check of streetlight systems)

Extraordinary Maintenance:

1. Pole knockdown replacement (no foundation)
2. Pole knockdown replacement (with foundation)
3. Replacement of pull box lid
4. Graffiti abatement on poles
5. Replacement of overhead wiring
6. Painting of poles
7. USA Dig Alert service

The total contract amount for LED installation and routine operations and maintenance for 55,000 streetlights in Western Riverside County is not to exceed $5,913,073 over five years. This contract equates to roughly $1.79 per pole per month which will be collected from participating jurisdictions on a semi-annual basis and held by the paying agent in a separate bank account for payment to the contractor. This amount represents the costs if all eleven cities participating in streetlight retrofit and O&M and is subject to change based upon the number of jurisdictions that actually participate in the Program.

In addition to the services listed above, staff worked with Siemens to include additional services within the Agreement to support procurement of LED lighting fixtures, as needed.

Streetlight Request for Quotation (RFQ)

On September 21, 2017, WRCOG released an RFQ to solicit suppliers interested in providing WRCOG's member jurisdictions with LED lights for the replacement of jurisdiction-owned streetlights. This is the next step within the Regional Streetlight Program as many of the jurisdictions are in the process of acquiring their streetlights from SCE. Upon the closing of the RFQ, an evaluation committee (to be formed) will review the proposals and coordinate with the jurisdictions to identify the best LED lighting fixture(s) that meet the region's street lighting needs.

On October 11, 2017, WRCOG extended the schedule of events by two weeks to allow additional time for potential proposers to properly respond to this RFQ and for WRCOG staff to provide responses to the large amount of questions received from potential proposers. Quotes are due on November 1, 2017, and staff anticipates making a decision by November 20, 2017.

The specifications listed within the RFQ were extracted from WRCOG's LightSuite document (approved by the Executive Committee on September 11, 2017), the outdoor lighting resource developed using technical analysis and public input from the Regional Demonstration Area hosted in the City of Hemet. The LightSuite document is a guiding template for interested jurisdictions to apply to current street lighting standards and new developments. For the Demonstration Area, WRCOG and the City of Hemet installed over 150 different LED lighting fixtures from 12 different lighting vendors. The Demonstration Area helped identify public preference for lighting specifications through guided tours. At these tours, attendees voiced their opinion on what type of lighting style they preferred and on how much lighting is needed within their community. Attendees included elected officials, public safety officials, city staff, astronomers, lighting specialists, and residents from Riverside and San Bernardino Counties.

Upon closing of the RFQ, staff will be coordinating a working group with the Public Works Directors from each respective jurisdiction involved in the Regional Streetlight Program to analyze the proposals and select the preferred LED lighting fixture(s) that the jurisdictions would like to implement within their boundaries.

Prior Action:

October 19, 2017:	The Technical Advisory Committee received report.

Fiscal Impact:

Activities for the Regional Streetlight Program are included in the Agency's adopted Fiscal Year 2017/2018 Budget.

Attachment:

None

Item 5.B

Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **Fiscal Year 2016/2017 Financial Statement Presentation**

Contact: **Ernie Reyna, Chief Financial Officer, ereyna@wrcog.us, (951) 955-8432**

Date: **October 26, 2017**

The purpose of this item is to *provide the Committee with an update on WRCOG's Fiscal Year 2016/2017 financial audit and Financial Statements.*

Requested Action:

1. Receive and file.

Rogers, Anderson, Malody & Scott (RAMS) has been engaged to conduct WRCOG's annual financial audit. The contract with RAMS is for three years with an option for two one-year extensions. RAMS will be assisting WRCOG with the creation of the financial statements and the CAFR that meet all standards of the Governmental Accounting Standards Board (GASB).

WRCOG has received the distinguished "Certificate of Achievement for Excellence in Financial Report" from the Government Finance Officers Association (GFOA) for four consecutive years and all signs indicate that Fiscal Year (FY) 2016/2017 will also produce this distinguished award. The award recognizes that the Agency is transparent and has provided full disclosure of the financial statements and that the users of the CAFR have all the information needed to draw a financial conclusion of the Agency.

WRCOG's auditors will be providing an unmodified opinion on the FY 2016/2017 CAFR. An unmodified opinion is the highest form of assurance an auditing firm can provide to its client, and means that the audit and associated agency financials are both in good form and the accounting practices are solid. There are three other opinions an auditing firm can provide which either necessitate the need to pursue major revisions to the financial statements, or provide little assurance as to the current internal controls or policies an agency has in place. Those opinions include modified, adverse, and a disclaimer of opinion.

A separate email containing the Fiscal Year 2016/2017 Financial Statements will be emailed out the week of October 23, 2017.

Prior Action:

None.

Fiscal Impact:

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

Attachment:

None.

Item 5.C

Western Riverside Council of Governments
Finance Directors Committee

Staff Report

Subject: **The Economy and Financial Markets**

Contact: **Ernie Reyna, Chief Financial Officer, ereyna@wrcog.us, (951) 955-8432**

Date: **October 26, 2017**

The purpose of this item is to *provide the Finance Directors Committee with an overview of the Economic prospects of 2017 and 2018 as well as fiscal policy changes to watch for in the future. In addition, the presentation will cover an interest rate overlook, quantitative tapering and what it means, as well as where equity markets are headed.*

Requested Action:

1. Receive and file.

The item is reserved for a presentation from Dan Banis, Executive Vice-President, and Don Everson, Chief Investment Officer, of Citizens Trust.

Prior Action:

None.

Fiscal Impact:

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

Attachment:

None.

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