

**Finance Directors Committee
February 6, 2020
Special Meeting Summary Minutes**

Item 4.A

1. CALL TO ORDER

The Special Meeting of the Finance Directors Committee was called to order at 1:04 p.m. by Vice-Chair Matthew Schenk at WRCOG's office, Citrus Room.

2. SELF INTRODUCTIONS

Members present:

Suzanne Cook, City of Banning (1:35 p.m. arrival)
Jeff Mohlenkamp, City of Beaumont
Katherine Stevens, City of Calimesa
Terry Shea, City of Canyon Lake
Lorena Rocha, City of Hemet (1:07 p.m. arrival)
Dena Heald, City of Moreno Valley
Javier Carcamo, City of Murrieta
Ernie Reyna, City of Perris
James Riley, City of Wildomar
Matthew Schenk, March JPA, Vice-Chair

Staff present:

Andrew Ruiz, Chief Financial Officer
Anastasia Cortes, Program Manager
Rachel Singer, Staff Analyst
Suzy Nelson, Administrative Assistant

Guests present:

Stephen Ajobiwe, City of Perris
Dick McDonald, CitizensTrust
Mike Gardner, CitizensTrust
Maureen Toal, PARS
Nick Neidiffer, City of Wildomar

3. PUBLIC COMMENTS

There were no public comments.

4. MINUTES – *(Wildomar / Perris) 8 yes; 0 no; 0 abstention. Item 4.A was approved. The Cities of Banning, Corona, Eastvale, Hemet, Jurupa Valley, Lake Elsinore, Menifee, Norco, Riverside, San Jacinto, and Temecula, the County of Riverside, Eastern Municipal Water District, Morongo Band of Mission Indians, and the Western Municipal Water District were not present.*

A. Summary Minutes from the October 24, 2019, Finance Directors Committee Meeting are Available for Consideration.

Action: 1. *Approved the Summary Minutes from the October 24, 2019, Finance Directors Committee meeting.*

5. CONSENT CALENDAR – *(Wildomar / Beaumont) 8 yes; 0 no; 0 abstention. Item 5.A was approved. The Cities of Banning, Corona, Eastvale, Hemet, Jurupa Valley, Lake Elsinore, Menifee, Norco, Riverside, San Jacinto, and Temecula, the County of Riverside, Eastern Municipal Water District, Morongo Band of Mission Indians, and the Western Municipal Water District were not present.*

A. Finance Department Activities Update

Action: 1. *Received and filed.*

6. REPORTS / DISCUSSION

A. 2nd Quarter Draft Budget Amendment for Fiscal Year 2019/2020

Andrew Ruiz reported that the 2nd Quarter Draft Budget Amendments for Fiscal Year 2019/2020 had a total Agency increase in expenditures of \$402,087, primarily related to the Western Community Energy (WCE) launch. The Budget structure is split between four departments: Administration, which includes Fiscal, Transportation & Planning, Energy, and Environmental.

As a part of the Implementation and Management Services Agreement between WRCOG and WCE, WRCOG provides administration support to implement WCE, and will continue until WCE determines if it should hire its own employees. WRCOG is also providing start-up costs for WCE. WCE will pay back WRCOG for all costs associated to the launching of WCE.

The General Fund budget amendment is due to the transfer of \$400k to WCE, which will be used for two pre-enrollment and two post-enrollment notifications that must be mailed out to all 120k customers. Upon launch in April 2020, WCE will be self-sufficient and will be able to support its ongoing operational costs, such as staffing, through its own revenues and will no longer need WRCOG to support additional expenses.

The Transportation & Planning Department's expenditures exceeded the budgeted amount by \$6k. The increase was primarily due to additional membership dues paid to the American Planning Association and job postings. The Transportation & Planning Department also received additional revenues of \$25,250 for the LTF Program. The expenditures will be offset by any additional revenues.

The Energy Department's net expenditures increased by \$9k primarily due to costs associated with recording fees with PACE provider PACE Funding. Additionally, legal costs were incurred with PACE provider SAMAS Capital in the amount of \$2k. The Energy Department also received additional revenues in the amount of \$234,425 due to the completion of two large Commercial PACE projects. With the exception of SAMAS, which is expected to pay back the legal costs, all additional costs will be offset by a decrease in other budgeted expenditures.

The Environmental Department's expenditures exceeded the budgeted amount by \$1,199 due to legal costs associated with contract reviews. These expenditures will be offset by a decrease in unused expenditures in event support.

Action: 1. *Recommended that the Executive Committee approve the 2nd Quarter Draft Budget Amendment for Fiscal Year 2019/2020.*

(Canyon Lake / Beaumont) 9 yes; 0 no; 0 abstention. Item 6.A was approved. The Cities of Banning, Corona, Eastvale, Jurupa Valley, Lake Elsinore, Menifee, Norco, Riverside, San Jacinto, and Temecula, the County of Riverside, Eastern Municipal Water District, Morongo Band of Mission Indians, and the Western Municipal Water District were not present.

B. Presentation by PARS on WRCOG's CalPERS Unfunded Accrued Liability

Maureen Toal, Senior Vice President, provided a presentation on WRCOG's Unfunded Accrued Liability and strategies WRCOG is taking. As of June 30, 2018, WRCOG's CalPERS pension plan unfunded liability is \$3M. With the actuarial liability at \$11.6M and assets at \$8.6M, the funded ratio is 74.3%. Most California pension plans are underfunded, typically between 60 - 80%, resulting upward pressure on pension contribution rates.

Ms. Toal presented the changes CalPERS has announced with changes directly affecting unfunded liability amounts and employer contributions. The overall growth in CalPERS costs continues to outpace annual revenue growth for municipalities.

As multiple options were explained, WRCOG has taken the steps to take implement the establishment of a Section 115 Trust, which is a more conservative approach. With a Section 115 Trust, there is more local control and discretion, it increases an agency's funding flexibility, but does not directly reduce the Net Pension Liability, and assets in the Trust are not recognized when CalPERS sets contribution rates.

Action: 1. *Received and filed.*

C. Fiscal Year 2018/2019 Comprehensive Annual Report (CAFR)

Terry Shea reported on WRCOG's Comprehensive Annual Financial Report (CAFR) conducted by Rogers, Anderson, Malody & Scott, LLP (RAMS). RAMS will be assisting with WRCOG's financial statements as well as the CAFR for the Fiscal Year (FY) 2018/2019.

WRCOG received the distinguished "Certificate of Achievement for Excellence in Financial Report" from the Government Finance Officers Association for the fourth consecutive year and all signs indicate that the FY 2018/2019 CAFR will also produce the award.

The auditors are providing an unmodified opinion on the FY 2018/2019 CAFR. An unmodified opinion is the highest form of assurance an auditing firm can provide its client and means that the audit and associated agency financials are both in good form and the accounting practices are solid.

WRCOG's total net position decreased by 67%, or \$20.5 million, during FY 2018/2019 compared to the prior year's increase of \$26.4 million. The decrease in the net position was mostly due to an increase in reimbursements in the Transportation Uniform Mitigation Fee (TUMF) Program. Total liabilities increased by 27%, or \$18.3 million, during FY 2018/2019 compared to the prior year. TUMF project liabilities are programmed according to the anticipated revenue on the Transportation Improvement Program (TIP). The TIP assumed more projects to be programmed in the current fiscal year. The decrease in current assets is attributable to the difference in TUMF revenues received over projects completed and paid out.

Net Investment in Capital Assets represents 3.6%, or \$362k, of the Agency's total net position compared to 1.3%, or \$413k, for FY 2017/2018. The decrease is attributable to the depreciation of existing Capital Assets.

Restricted net position accounts for 18.7%, or \$1.9 million, compared to 72.2%, or \$22.2 million, for FY 2017/2018. This component of net position represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position accounts for 77.7%, or \$7.9 million, of total net position for FY 2018/2019, compared to 26.4%, or \$8.1 million, for FY 2017/2018. This component may be used to meet WRCOG's ongoing obligations to creditors.

Action: 1. *Received and filed.*

D. Public Service Fellowship Presentations

Rachel Singer introduced Nicholas Neidiffer, who is currently completing his Fellowship in the City of Wildomar in the Administration Services Department. Mr. Neidiffer presented on his current projects that he has assisted with and shared future plans as their fourth round of the Fellowship comes to a close at the end of March 2020.

Action: 1. *Received and filed.*

E. The Economy and Financial Markets Update

Mike Gardner, Senior Portfolio Manager and Dick McDonald, CFA Manager, provided an overview of CitizensTrust's and Citizens Business Bank's economic approach for 2020. Some highlights presented were that unemployment rates are at a 50-year low. With unemployment rates low, the S&P 500 is at its all-time high, with expected growth to be 10%.

Looking into the interest rate overlook, the ten-year yields have dropped nearly 175 basis points.

Some WRCOG TUMF account portfolio highlights that were presented were that the portfolio has a high degree of safety in keeping with the primary objectives of safety, liquidity, and yield. The portfolio consists of 59.3% government agency bonds, 39.3% U.S. Treasury notes, and 1.4% in a money-market fund. The average duration is 0.56 years, so the portfolio also has a high degree of liquidity.

Action: 1. *Received and filed.*

7. REPORT FROM THE CHIEF FINANCIAL OFFICER

Andrew Ruiz introduced Anastasia Cortes, WRCOG's new Program Manager in the Fiscal Department.

8. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

9. GENERAL ANNOUNCEMENTS

There were no general announcements.

10. NEXT MEETING

The next Finance Directors Committee meeting is scheduled for Thursday, April 23, 2020, at 1:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 200, Riverside, CA, 92501.

11. ADJOURNMENT

The meeting of the Finance Directors Committee meeting adjourned at 1:54 p.m.