

1. CALL TO ORDER

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

Members present:

Mike Lara, City of Beaumont
Bonnie Wright, City of Hemet
Brian Tisdale, City of Lake Elsinore (12:47 p.m. departure)
Kevin Bash, City of Norco
Rita Rogers, City of Perris
Ben Benoit, City of Wildomar
Chuck Washington, County of Riverside District 3 (Chairman)
Karen Spiegel, County of Riverside District 2
Brenda Dennstedt, Western Municipal Water District (12:15 p.m. arrival)

Staff present:

Steve DeBaun, Legal Counsel, Best Best & Krieger
Barbara Spoonhour, Deputy Executive Director – Operations
Andrew Ruiz, Interim Chief Financial Officer
Christopher Gray, Director of Transportation & Planning
Casey Dailey, Director of Energy and Environmental Programs
Michael Wasgatt, Program Manager
Andrea Howard, Program Manager
Christopher Tzeng, Program Manager
Janis Leonard, Administrative Services Manager
Cynthia Mejia, Staff Analyst
Rachel Singer, Staff Analyst
Sofia Perez, Staff Analyst
Suzy Nelson, Administrative Assistant

Guests present:

Warren Diven, Best Best & Krieger
Mrunal Shaw, Best Best & Krieger
Michael Yaki, CleanFund
Gary Saleba, EES Consulting
Jason Pack, Fehr & Peers
Genevieve Sherman, Greenworks
Laura Franke, Public Financial Management (PFM)

2. PUBLIC COMMENTS

There were no public comments.

8. CLOSED SESSION (Note: items were taken out of order)

There was no reportable action.

3. MINUTES – (Hemet / Wildomar) 8 yes; 0 no; 0 abstention. Item 3.A was approved. The Cities of Murrieta and Riverside and the Western Municipal Water District were not present.

A. Summary Minutes from the February 13, 2019, Administration & Finance Committee Meeting are Available for Consideration.

Action: 1. *Approved the Summary Minutes from the February 13, 2019, Administration & Finance Committee meeting.*

4. CONSENT CALENDAR – (Lake Elsinore / Beaumont) 8 yes; 0 no; 0 abstention. Items 4.A and 4.B were approved. The Cities of Murrieta and Riverside and the Western Municipal Water District were not present.

A. Finance Department Activities Update

Action: 1. *Received and filed.*

B. TUMF Collection Process Revision Update

Action: 1. *Received and filed.*

5. REPORTS / DISCUSSION

A. PACE Programs Activities Update: General Activities Update

Casey Dailey reported that both Renovate America and PACE Funding Group have adjusted their standard interest rates. Any time a provider adjusts its interest rate, staff are required to notify this Committee.

Currently, Commercial PACE (C-PACE) projects can be funded up to a 25-year term. As the Program engages more on the commercial side, typical industry financing terms are 30 years. WRCOG has been asked to explore allowing a 30-year term. The reason WRCOG currently allows for a 25-year term is based upon the useful life of the product. In discussions with the development community, the idea of a replacement reserve is standard in most commercial financing, with or without utilizing PACE financing. As long as the Program can show a replacement reserve and has lender consent, this may be an option for C-PACE and new construction only.

The matter of refinancing has been brought up by the PACE providers. PACE funding refinancing is allowable under state law; however, the WRCOG Program Report is silent on the matter. Any changes would have to be allowed by the Executive Committee. There are other C-PACE bond issuers which allow for refinancing.

Mr. Dailey introduced Michael Yaki to expand further on refinancing.

Mr. Yaki reported that look-back financing is when a project has been completed to code, various financial agencies allow the financing of a project to be reviewed and exchange it with lower cost PACE financing when applicable. This helps to stabilize a project's cost, which is important to senior lenders. In some instances, a lender is not interested in PACE financing until a project is completed because the lender is the senior lien holder. Program projects require lender consent. From a public policy aspect, it helps to expand the idea and practicality of PACE into the market, because the Program is reverse-engineering a project and showing how it lowers costs, stabilizes cash flows, lowers utility bills, etc.

A couple of projects which will be brought forward in the near future in which CleanFund is working a firm that introduced this concept to a large hotel chain. The next two projects this hotel chain is working on will incorporate PACE financing from the beginning.

Genevieve Sherman reported that Greenworks has received look-back financing requests from contractors, building owners, and real estate developers on items installed in an Energy Conservation Measure (ECM) such as a chiller system, or roof top unit, and would now like to utilize C-PACE financing on something like solar. This is incredibly common in which building owners are dealing with retrofit issues but have other projects they want to install but do not have the time it takes for a contractor to put together a turn key proposal, which could take several months. When this occurs, and a PACE assessment is applied, and then six to nine months, or even a year, goes by, many things can happen, such as interest rates can change, and the building owner then decides to add, for example, a lighting system, they hope to be able to refinance at a lower rate. Building owners love the PACE Program and come back to it when they do additional retrofits. There is a credit consideration to take in terms of what the priority of the various assessments are on the building.

For a company like Greenworks, it can be cleaner to refinance what was already on the property. There are requirements around this regarding the term of the assessment, maturity date, and taking into consideration the useful life of the equipment.

Sometimes the property owner is unaware of C-PACE financing. One potential opportunity in this is that the property owner may have value engineered various aspects of the building out when it was originally built. Greenworks recently completed financing with WRCOG on a multi-family housing project that was just built. The owner added on a solar system, which was not part of the original building design; the original project was funded by the bank. The owner learned about PACE financing at the last minute and was able to finance the solar system. This example is quite common.

C-PACE has long-term operational benefits for many types of properties; specifically, multi-tenant properties. For example, assessments can be passed through to the tenants who might be paying gas or electric bills. So, for a property owner who made improvements to their property with their own cash, but the tenants are receiving the economic benefits, refinancing is a way for the property owner to share in the cost savings of energy improvement projects and potentially use cash that would otherwise be spent on other core business opportunities.

When a new building is being built, the developer typically comes up with a pot of money which is utilized to complete the construction of the new building. Then that source of funds is completely replaced with some other source of funds. The time cycle to build a building is generally between 18 to 24 months. One of the challenges C-PACE Programs throughout the country are grappling with as they adopt new construction programs are figuring out how to get the developers from day one to build the greener building, utilizing C-PACE when they actually need it – in 18 to 24 months.

Sometimes the senior lender does not want to see C-PACE funding utilized right away. In other instances, the C-PACE lender might not want to put their money in right away, but the building owner has to accrue interest on the C-PACE loan from day one or be forced to submit their C-PACE application and get qualified in close before any C-PACE dollars are spent.

Greenworks has been able to complete new construction projects having clear guidance with respect to the retroactivity of when the C-PACE dollars actually close and get inserted into a new construction project. If a developer utilizes C-PACE with one project, it is likely that they will utilize C-PACE for the next several projects.

Committee member Kevin Bash asked what the competition will do.

Mr. Dailey responded that the competition calls out look-back financing. If WRCOG were to allow the full refinance option, it would be the most competitive.

Committee member Spiegel expressed concern on refinancing an item with a shelf life of 25 years, versus the purchase of a new product.

Mr. Dailey responded that projects would be analyzed before refinancing would be approved.

Warren Diven added that the Program would be limited to refinancing something that has a useful life for the term of whatever the refinancing is; the parameters would be the same as is used for the financing of new products.

Laura Franke added that the reason that even if a PACE lien was nearing the end of its term, the reason it would potentially be taken out of the structure would be if the property owner has another installation in order to maintain that lien priority.

Mr. Dailey indicated that one of the requirements for a 30-year term would require evidence of a replacement reserve, which exists in commercial real estate development.

- Actions:**
1. *Recommended that the Executive Committee allow refinancing on Commercial PACE projects.*
 2. *Recommended that the Executive Committee approve a 30-year term for Commercial PACE projects that have met certain conditions.*

(Perris / Beaumont) 9 yes; 0 no; 0 abstention. Item 5.A was approved. The Cities of Murrieta and Riverside were not present.

B. PACE Programs Financial Update

Casey Dailey reported that since January 2017, residential PACE activity has declined by approximately 80%. The decline in residential PACE activity impacts funding on regionally supportive programs.

There is one years' worth of funding remaining at current funding levels for the Fellowship Program. Approximately half of the funding for the Grant Writing Program remains. EXPERIENCE has depleted its funding and staff are working with the City of Riverside to hire a fundraising and project development consultant. Beyond has \$2.1M remaining; unexpended funds will be allocated to the Fellowship and EXPERIENCE Programs. The Streetlights Program was designed to be self-sustaining and does not require any additional funding. The Community Choice Aggregation Program is projected to launch in mid-2020, and Program development reimbursement to WRCOG for that is expected to occur after its launch.

In response to declining revenues, WRCOG has reduced operating expenses in order to continue operating the PACE Program.

- Action:**
1. *Received and filed.*

C. 28th Annual General Assembly & Leadership Conference Update: Nominations for Outstanding Community Service Award

Cynthia Mejia reported that new this year is a Future of Cities Symposium being held from 10 a.m. – 2 p.m. at the Pechanga Resort Casino on the day of the General Assembly. The Symposium will feature a presentation of regional indicators and several panels on topics such as land use, transportation, and automation.

Staff emailed WRCOG's elected officials and Technical Advisory Committee members seeking nominations for the annual Community Service Award. Award recipients will be recognized at the General Assembly on June 20, 2019.

- Action:**
1. *Received and filed.*

D. Understanding the Transportation Analysis Implications of Senate Bill 743

Christopher Gray reported that SB 743 was signed into law in September 2013 and addresses shortcomings in the way tracking analyses are completed for CEQA documents. The guidelines become effective July 1, 2020.

When effects of a project are analyzed, vehicle miles traveled (VMT) is the new analysis metric. The state has a perception that when reviewing traffic congestion, level of service, and delay, this unfairly penalizes projects, particularly in-fill projects, in urban areas.

In order to comply with SB 743, staff recommends that member jurisdictions adopt new thresholds, guidelines, and methodologies for development projects. Then as each project comes forward, jurisdictions will be required to calculate VMT, compare it to a threshold, note any impacts, and make any recommended mitigation.

WRCOG solicited and received a grant from the Southern California Association of Governments to complete a comprehensive study specific to the WRCOG subregion.

WRCOG utilized its Public Works and Planning Directors Committees to provide updates and gather feedback; staff has scheduled workshops with jurisdictional staff, technical professionals, the development industry, and the Building Industry Association.

If a member jurisdictions' General Plan mentions level of service (LOS), the jurisdiction still is required to analyze congestion and delay. If the City has adopted LOS-based traffic study guidelines, delay and congestion still have to be analyzed. Almost all WRCOG member jurisdictions currently have LOS-based language and traffic study guidelines in its General Plan.

Staff are happy to meet with member jurisdiction staff if there are any questions or concerns. If member jurisdictions want to create its own approach, it can do that; however, staff recommends using WRCOG's information as a starting point.

Next steps include holding workshops, developing sample traffic study guidelines, and sample staff reports, and materials member jurisdictions can use to assist with the process of adopting VMT methodologies, thresholds, and mitigation measures. A website, <http://www.fehrandpeers.com/wrcog-sb743/>, has been created to provide information and assistance.

Action: 1. *Received and filed.*

6. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

7. GENERAL ANNOUNCEMENTS

Committee member Bonnie Wright announced that the Ramona Pageant runs April 13 - 14, 2019, and May 4 – 5, 2019, and May 27 – 28, 2019, and is in its 96th year of production.

8. NEXT MEETING: **The next meeting is scheduled for Wednesday, April 10, 2019, at 12:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 450, Riverside.**

9. ADJOURNMENT: **The meeting of the Administration & Finance Committee adjourned at 1:01 p.m.**