



Western Riverside Council of Governments Finance Directors Committee

AGENDA

Thursday, January 28, 2021
1:00 p.m.

Western Riverside Council of Governments
3390 University Avenue, Suite 200
Riverside, CA, 92501

**WRCOG's OFFICE IS CURRENTLY CLOSED TO THE PUBLIC DUE TO COVID-19
AND STAFF ARE WORKING REMOTELY**

**Members of the public are encouraged to participate in this meeting via Zoom
(see meeting information below)**

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SPECIAL NOTICE – COVID-19 RELATED PROCEDURES IN EFFECT

Due to the state and local State of Emergency resulting from the threat of Novel Coronavirus (COVID-19), Governor Newsom has issued Executive Order N-29-20 (issued March 17, 2020) in which Section 3 supersedes Paragraph 11 of Executive Order N-25-20 (issued on March 12, 2020). This new order states that WRCOG does not need to make a physical location available for members of the public to observe a public meeting and offer public comment. The Order allows WRCOG to hold Committee meetings via teleconferencing and allows for members of the public to observe and address the meeting telephonically or electronically.

To follow the Order issued by the Governor, the Finance Directors Committee meeting scheduled for Thursday, January 28, 2021 at 1:00 p.m. will be held via video and teleconference and any members of the public can attend electronically. Members of the public may send public comments by emailing snelson@wrcog.us, or calling (951) 405-6702 before or during the meeting, prior to the close of public comment.

Any member of the public requiring a reasonable accommodation to participate in this meeting in light of this announcement shall contact Suzy Nelson prior to 1:00 p.m. on January 26, 2021, at (951) 405-6703 or at snelson@wrcog.us.

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

1. **CALL TO ORDER**
2. **ROLL CALL**
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 agenda items at the time the item is called for discussion. No action may be taken on items not listed on the agenda unless authorized by law. Whenever possible, lengthy testimony should be presented to the Committee in writing and only pertinent points presented orally.

4. **CONSENT CALENDAR**

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

- A. **Summary Minutes from the October 22, 2020, Finance Directors Committee Special Meeting are Available for Consideration.** **P. 1**

Requested Action: 1. *Approve the Summary Minutes from the October 22, 2020, Finance Directors Committee Special meeting.*

- B. **Finance Department Activities Update** **Andrew Ruiz** **P. 5**

Requested Action: 1. *Receive and file.*

- C. **Single Signature Authority Report** **Andrew Ruiz** **P. 11**

Requested Action: 1. *Receive and file.*

5. **REPORTS / DISCUSSION**

- A. **Citizens Trust Investment Update** **Michael Gardner, Citizens Trust** **P. 13**

Requested Action: 1. *Receive and file.*

- B. **Commercial PACE Program Activities Update** **Justin White, WRCOG** **P. 15**

Requested Action: 1. *Receive and file.*

- C. **2nd Quarter Draft Budget Amendment for Fiscal Year 2020/2021** **Andrew Ruiz, WRCOG** **P. 19**

Requested Action: 1. *Recommend that the Executive Committee approve the 2nd Quarter draft Budget Amendment for Fiscal Year 2020/2021.*

Requested Action: 1. *Receive and file.*

6. REPORT FROM THE CHIEF FINANCIAL OFFICER

Andrew Ruiz

7. ITEMS FOR FUTURE AGENDAS

Members

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

8. GENERAL ANNOUNCEMENTS

Members

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

9. NEXT MEETING: The next Finance Directors Committee meeting is scheduled for Thursday, April 29, 2021, at 1:00 p.m., on the Zoom platform.

10. ADJOURNMENT

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1. CALL TO ORDER

The meeting of the Finance Directors Committee was called to order at 1:00 p.m. by Chairman Matthew Schenk on the Zoom platform.

2. SELF INTRODUCTIONS

Members present:

Jennifer Christensen, City of Banning
Jeff Mohlenkamp, City of Beaumont
Amanda Wells, City of Eastvale
Lorena Rocha, City of Hemet
Connie Cardenas, City of Jurupa Valley
Shannon Buckley, City of Lake Elsinore
Marshall Eyerman, City of Moreno Valley
Javier Carcamo, City of Murrieta
Lisette Free, City of Norco
Ernie Reyna, City of Perris
Stephen Ajobiewe, City of Perris
Edward Enriquez, City of Riverside
Bob Howell, City of Wildomar
John Adams, Eastern Municipal Water District
Kevin Mascaro, Western Municipal Water District
Matt Schenk, March JPA, Chairman
Tina Daigneault, Riverside County Office of Education

3. PUBLIC COMMENTS

Stacey Tutt spoke on the PACE Program.

4. CONSENT CALENDAR – *(Perris / Lake Elsinore) 17 yes; 0 no; 0 abstention. Items 4.A through 4.D were approved. Representatives from the Cities of Calimesa, Canyon Lake, Corona, Menifee, San Jacinto, and Temecula, and the County of Riverside were not present.*

A. Summary Minutes from the July 23, 2020, Finance Directors Committee Meeting are Available for Consideration.

Action: 1. *Approved the Summary Minutes from the July 23, 2020, Finance Directors Committee meeting.*

B. Finance Department Activities Update

Action: 1. *Received and filed.*

C. Single Signature Authority Report

Action: 1. *Received and filed.*

D. Approval of Finance Directors Committee 2021 Meeting Schedule

Action: 1. *Approved the Schedule of Finance Directors Committee meetings for 2021.*

5. REPORTS / DISCUSSION

A. TUMF Program Year in Review

Chris Gray, WRCOG Director of Transportation & Planning, reported that projected revenues for the previous fiscal year came in as projected. The month of June had nearly \$6M in fee collections. For the first two months of Fiscal Year (FY) 2020/2021, \$8.5M was collected. One day in September achieved a remarkable collection of \$1M in a single day.

While development continues in all the Zones, the Northwest Zone continues to be the largest revenue generator at just under \$22M. Nearly three-quarters of all collections are in the Single-family residential land use.

The TUMF Program has collected \$910M since inception in 2003. Zone funding of \$411M has been provided through FY 2019/2020; another \$317M is programmed through FY 2022/2023. A portion of collections are allocated to the Riverside County Transportation Commission; \$340M has been spent or allocated. In total, the TUMF Program has spent or allocated a total of \$1.1B which has resulted in 108 completed projects.

TUMF Credit Agreements are in lieu of agreements in which a developer builds a facility and receives credit against its TUMF obligations. This has resulted in \$240M in projects completed through Credit Agreements.

Member jurisdictions which participate in the TUMF Program are collectively given 25% of Measure A funding. Since 2010 approximately \$330M of Measure A funding has been distributed.

Staff have prepared and distributed jurisdiction-specific reports.

Action: 1. *Received and filed.*

B. The Economy and Financial Markets Update

Richard Babbe, Managing Director, Public Financial Management, reported that one of the reasons COVID-19 cases are increasing is because much of the country is reopening. From an economic standpoint, Gross Domestic Product (GDP) is forecast to decline only 3.7%. While there is still a long road of uncertainty, a strong rebound is expected. The unemployment rate has decreased as much of the country reopened.

While the national unemployment rate has decreased from 14.7% in April 2020 to currently 7.9%, it is still a high number. California's unemployment rate for September was 11%, which is higher than the national average. This is partially due to the fact that California has more restrictive lock-down requirements.

Interest rates have come down from their peaks at the end of 2018. In March 2020, the Federal Reserve cut interest rates twice, for a total of 150 basis points, or 1.5%. Since that time, interest rates have moved sideways. In November 2018, the Treasury Yield hit nearly 3%. By the end of 2019 those numbers were moving sideways and is currently at 14 basis points.

In the first quarter of 2020, Treasury Yields were the strongest and corporates were the weakest; however, that has now reversed. In just the second quarter of 2020, the Treasury Yields did not perform well.

Credit sectors outperform in the third quarter of 2020. For investors it continues to be good to have a diversified portfolio.

Within the S&P (Standard & Poor) is a bifurcation of the economy. Information Technology has done very well; however, energy is doing very poorly.

Markets face many uncertainties moving into the fourth quarter of 2020. There still is no resolution to the COVID-19 crises, and beyond that there are still questions regarding valuations. In November 2020, we are facing Presidential and local elections. These combined create a lot of uncertainty.

The outlook for fixed income investors is negative; there are no indications that the effective Federal Funds rate will increase through the end of the year 2023. In terms of return on investment, it is back to the zero-interest rate environment.

Action: 1. *Received and filed.*

C. The Impact of Automaton on Employment

Johannes Moenius, Director, Institute of Spatial Economic Analysis, University of Redlands School of Business, reported that due to COVID-19, many activities, including work and schooling, and increased online shopping, are now being conducted online. This is possible due to changes in technology.

At the same time, many companies, such as hospitality and retail, have struggled. Workers are afraid to go to work for fear of getting sick, and the public are afraid of consuming goods potentially infected by COVID-19. This has triggered a response from many companies to automate and the desire to return the supply chain to the United States.

In Riverside County, people in the higher income wage groups (over \$65k) are doing ok. People in the lower income wage groups (below \$27k) are at more than a 30% job loss.

Online retail has increased from approximately 12% to more than 16%; this is a little more than a 1/3 increase in retail sales moving online.

The consequences of COVID-19 have included substantial market changes, a complete restructuring of the stock market chart, and continued uncertainty.

Manufacturing labor productivity has increased over the last 30 years, which led to an increase of only 3.2%; however, over the 30 years, that has led to each worker producing approximately 260% more than in the base year.

If there are continued deployments of robots in manufacturing, the effects on jobs could be severe. Approximately 47% of all U.S. employment could be automated in the next decade or two.

The Inland Empire is the most vulnerable metro in California to job automation. Within the next 20 years, 63% of jobs could be automated. There will be huge changes in industry composition, dramatic changes in occupations, and require entirely different skill set requirements.

In the WRCOG subregion, a near doubling of jobs are anticipated to be in education, health services, financial activities, and professional business services, while manufacturing, mining, and logging in construction are expected to shrink.

The five largest occupational groups susceptible to automation and at high-risk include office and administrative support, transportation and material moving, food preparation and serving-related sales, and production. These workforce sectors will need to be retrained. The problem lies in converting the current workforce to move into skills that allow them to perform tasks that will be augmented by automation, and not replaced by automation.

Due to COVID-19, and as a precursor to automation, the educational sector has suffered dramatically over the last six months; 20% to 30% of private sector education-support jobs have been lost. There

has been substantial retail adjustment, which will continue, and this will affect city budgets. Sectoral, occupational, and skills restructuring will be necessary. The United States now has an opportunity to bring manufacturers back from other countries.

Action: 1. *Received and filed.*

6. REPORT FROM THE CHIEF FINANCIAL OFFICER

Andrew Ruiz reported that WRCOG staff are largely still working remotely and committee meetings are being held on the Zoom platform. Things will continue this way for the foreseeable future. The audit is nearing completion and is the first audit that covers WRCOG and the additional two agencies which fall under its umbrella, the Riverside County Habitat Conservation Agency and Western Community Energy. WRCOG recently received a GFOA CAFR Award.

7. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

8. GENERAL ANNOUNCEMENTS

There were no general announcements.

9. NEXT MEETING

The next Finance Directors Committee meeting is scheduled for Thursday, January 28, 2021, at 1:00 p.m., on the Zoom platform.

10. ADJOURNMENT

The Finance Directors Committee meeting adjourned at 1:57 p.m.



Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: Finance Department Activities Update

Contact: Andrew Ruiz, Chief Financial Officer, aruiz@wrcog.us, (951) 405-6740

Date: January 28, 2021

The purpose of this item is to provide an update on the Agency audit for Fiscal Year 2020/2021 and financials through October 2020.

Requested Action:

1. Receive and file.

Fiscal Year 2019/2020 Agency Audit

WRCOG's annual Agency interim audit was completed on June 19, 2020. 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. In December 2020, RAMS returned to finish its second round, which is known as "fieldwork." It is anticipated that the final audit will be presented to this Committee in April 2021.

Financial Report Summary Through October 2020

The Agency Financial Report summary through October 2020, a monthly overview of WRCOG's financial statements in the form of combined Agency revenues and costs, is provided as Attachment 1.

Prior Action:

January 21, 2021: The Technical Advisory Committee received and filed.

Fiscal Impact:

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

Attachment:

1. Financial Report summary through October 2020.

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Item 4.B

Finance Department Activities
Update

Attachment 1

Financial Report summary through
October 2020

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**Western Riverside Council of Governments
Annual Budget
For the Month Ending October 31, 2020**

Total Agency Budget

	Approved Budget 6/30/2021	Thru Actual 10/31/2020	Remaining Budget 6/30/2021
Revenues and Transfers in			
Member Dues	311,410	294,410	17,000
Operating Transfer In	2,208,432	736,144	1,472,288
Clean Cities	175,000	128,000	47,000
Solid Waste	112,970	112,970	-
Used Oil	376,396	376,396	-
WRCOG HERO	136,290	23,732	112,558
PACE Residential	78,000	28,198	49,802
PACE Commercial	200,000	40,750	159,250
CA HERO	1,464,730	111,815	1,352,915
Commercial/Svcs - Admin Portion	41,137	48,228	(7,092)
Retail - Admin Portion	89,632	25,051	64,582
Industrial - Admin Portion	236,729	26,850	209,879
Single Family Residential - Admin Portion	652,270	425,165	227,105
Multi Family - Admin Portion	267,415	92,352	175,063
Commerical/Service	987,281	1,157,478	(170,198)
Retail	2,151,178	601,220	1,549,958
Industrial	5,681,507	644,402	5,037,105
Single Family Residential	15,654,486	10,203,968	5,450,518
Multi-Family	6,417,964	2,216,450	4,201,514
LTF Revenue	676,500	676,500	-
Total Revenues and Transfers in	\$ 40,539,536	\$ 17,970,080	\$ 22,569,456
Expenses			
Salaries	2,053,769	683,447	1,370,322
Benefits	1,027,040	344,348	682,692
Overhead	1,443,294	360,824	1,082,471
Legal	285,600	83,248	202,352
Advertising Media	65,667	21,300	44,367
Bank Fees	33,885	5,732	28,153
Coffee and Supplies	3,000	984	2,016
Commissioner Per Diem	62,500	15,625	46,875
Communications - Cellular Phones	13,500	2,869	10,631
Communications - Computer Services	53,000	14,791	38,209
Communications - Regular Phone	16,000	5,799	10,201
Computer Hardware	10,000	4,315	5,685
Consulting Labor	2,268,780	667,352	1,601,428
Event Support	165,736	4,968	160,768
Office Lease	390,000	187,369	202,631
OPEB Repayment	110,526	110,526	-
Postage	5,350	1,509	3,841
Recording Fee	173,525	43,684	129,841
Supplies/Materials	75,478	8,733	66,745
Training	10,000	1,000	9,000
TUMF Project Reimbursement	30,892,416	9,452,536	21,439,880
Total Expenses	\$ 40,468,538	\$ 12,020,959	\$ 28,447,580

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: Single Signature Authority Report

Contact: Andrew Ruiz, Chief Financial Officer, aruiz@wrcog.us, (951) 405-6740

Date: January 28, 2021

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 October through December 2020 one contract was signed by the Executive Director as summarized below:

1. In December 2020, an Agreement was executed with Open Gov for \$59,550 for software licensing and integration costs for the TUMF online portal.

Prior Action:

January 21, 2021: The Technical Advisory Committee received and filed.

Fiscal Impact:

Expenditures related to the software and licensing integration costs for the TUMF online portal are included in the Fiscal Year 2020/2021 budget.

Attachment:

None.

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: Citizens Trust Investment Update

Contact: Michael Gardner, Vice President / Senior Portfolio Manager, Citizens Trust,
mggardner@cbbank.com, (909) 483-4390

Date: January 28, 2021

The purpose of this item is to provide an overview of investments held with Citizens Trust. In addition, an overview of the financial market interest rates and yield will be provided.

Requested Action:

1. Receive and file.

The item is reserved for a presentation from Michael Gardner and Dick McDonald of Citizens Trust.

Prior Action:

None.

Fiscal Impact:

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

Attachment:

None.

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: Commercial PACE Program Activities Update
Contact: Justin White, Staff Analyst, jwhite@wrcog.us, (951) 405-6737
Date: January 28, 2021

The purpose of this item is to provide an update regarding WRCOG's Commercial PACE (C-PACE) Program.

Requested Action:

1. Receive and file.
-

WRCOG's PACE Program provides financing to property owners to implement energy saving, renewable energy, water conservation, and seismic strengthening improvements to their homes and businesses. Financing for these improvements is paid back through a lien placed on the property 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. The Executive Committee recently took action to wind down the Residential Pace Program.

Residential and Commercial PACE Comparison

At the December 7, 2020, Executive Committee meeting, staff was asked to provide an update regarding the C-PACE and how C-PACE differs from WRCOG's Residential PACE Program (R-PACE). While R-PACE and C-PACE have several similarities, such as a property not being eligible for Program participation if there has been a bankruptcy on the property within the last seven years and property taxes must be current, C-PACE requires a more in-depth underwriting and qualification process, including:

- Lender consent
- Term sheets
- Technical review
- Minimum two-years of financial statements
- \$1,000,000 minimum property value

The C-PACE Program requires lender consent prior to final approval. If there is an existing mortgage or loan secured by the property, the property owner must obtain the written consent of any existing lender(s) utilizing the lender consent form. Before any financial documents are exchanged between WRCOG, the program administrator, and the property owner, term sheets are agreed to between one of WRCOG's program administrators and the property owner, detailing the project and all requirements. A technical review is completed for each project, wherein an engineering firm verifies that all improvements are PACE eligible, meet or exceed Title 24 requirements, and the expected useful life of the improvements are longer than the term of the assessment. Part of the underwriting process also requires that the property owner provide a minimum of two-years of financial statements and the property value must be a minimum of \$1,000,000.

Property Owner Contact Point

The contact point for property owners in the C-PACE Program is different than the R-PACE Program. For R-PACE, property owners are normally approached by a contractor or sales. In C-PACE, the property owner is typically in search of financing for his/her business or commercial property. The property owner is actively looking to finance improvements that add to the value of their property and increase savings in both the short-term and long-term. These improvements include energy efficient, renewable, and water conservation improvements, but also include seismic strengthening, refinancing, and new construction projects. Project origination can come from sources such as a project developer, contractor, building owner, capital placement firms, or program administrator partners. In most cases, the property owner is working in tandem with a Chief Financial Officer or attorney that represents the property owner when discussing project details. There are occasional disputes between a contractor and property owner regarding construction or permitting delays, but these disputes do not include the bond issuer and are ultimately resolved without litigation.

Typical C-PACE Project

A C-PACE project normally takes months to complete. This process begins with negotiations between the property owner and program administrator that results in terms being agreed to and codified in a terms sheet. Lender consent is then required to be obtained from any senior lender that is on the property's title report. After lender consent has been obtained, the technical review process begins in order to verify that the improvements that are being considered are eligible according to California law and WRCOG's requirements. Financial and assessment documents are then generated and scrutinized between WRCOG's bond counsel (Best Best & Krieger) and the program administrator. Finally, the assessment documents are recorded by WRCOG and placed on the property tax bill by WRCOG's tax administrator, dta.

This contrasts with R-PACE or similar residential home improvement programs that are not PACE initiated in which a project can be agreed upon the same day a contractor initiates contact with a property owner. This is a one-on-one process where the contractor and property owner agree to terms via a Home Improvement Contract and use a PACE assessment as the financing mechanism. Whereas a C-PACE project could take many months to complete, an R-PACE or similar residential project can be completed within a few days.

Recent C-PACE Activity

In December 2020, WRCOG and its partners closed five projects valued at approximately \$24 million in PACE financing. This included close to \$3 million in PACE financing for the West Coast Exotic Cars located in the City of Murrieta. Improvements installed for this project included HVAC, plumbing, flooring, lighting, and seismic strengthening. Additionally, WRCOG completed its first PACE refinancing project in September 2020 for the Holiday Inn Express located in the City of Chico, where \$3.5 million worth of PACE eligible improvements that had previously been installed were refinanced. The following table demonstrates the growth of C-PACE since Fiscal Year 2017/2018:

C-PACE Projects by Fiscal Year		
Fiscal Year	Completed Projects	Amount of PACE Financing
2017/2018	1	\$1,806,854.50
2018/2019	9	\$6,247,153.44
2019/2020	7	\$19,017,439.00
2020/2021	7	\$27,362,010.85

In order to enhance and expand the C-PACE Program, staff and bond counsel have identified an opportunity to partner directly with banks and other Capital providers, such as federally regulated lending institutions that adhere to strict parameters set forth in WRCOG's Program Report. Staff is planning to return to the

Administration & Finance Committee in February 2021 with a more thorough description for discussion by that Committee.

Prior Actions:

January 13, 2021: The Administration & Finance Committee received and filed.

December 7, 2020: The Executive Committee directed staff to work with legal counsel and Residential PACE Program providers to discontinue both the statewide and regional residential Programs.

Fiscal Impact:

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

Attachment:

None.

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: 2nd Quarter Draft Budget Amendment for Fiscal Year 2020/2021
Contact: Andrew Ruiz, Chief Financial Officer, aruiz@wrcog.us, (951) 405-6740
Date: January 28, 2021

The purpose of this item is to request approval of WRCOG's 2nd Quarter draft Budget Amendment for Fiscal Year 2020/2021.

Requested Action:

1. Recommend that the Executive Committee approve the 2nd Quarter draft Budget Amendment for Fiscal Year 2020/2021.
-

Fiscal Year 2020/2021 Update and COVID-19 related impacts

Due to the uncertain long-term impacts of COVID-19, a conservative approach was taken in WRCOG's budget development. Overall, the Agency's budget was cut by approximately 30%, which was primarily attributable to the reduction in TUMF revenues. Certain programs, like TUMF and PACE, were anticipated to decline the most due to COVID-19. The TUMF Program has held steady and staff do not anticipate to further reduce the TUMF budget; however, the Residential, or R-PACE programs, specifically the HERO Program, was ended due to WRCOG's partner in the HERO Program, Renovate America, decision to terminate the HERO product and subsequently filing for Chapter 11 bankruptcy at the end of December 2020. Additionally, at the December Executive Committee meeting, staff was directed to terminate the remaining R-PACE administration agreements with the two other companies that have partnered with WRCOG, Renew Financial and PACE Funding Group (PFG).

During the budget development process, staff also took into consideration its liabilities such as its pension obligations to CalPERS, as those are anticipated to increase as well. Staff also worked on making sound long-term financial decisions, such as reducing administrative costs by moving to a smaller space and also making commitments to reduce long-term retirement obligations by paying it down faster. Staff also worked to add new programs and has been able to recover start-up costs on launched programs.

HERO Program Update

WRCOG's PACE Program provides 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.

Effective October 16, 2020, Renovate America discontinued accepting new HERO applications and will be winding down its HERO Program completely in the coming months. With Renovate America exiting WRCOG's PACE Program, there will no longer be a statewide R-PACE provider under WRCOG's umbrella.

In prior years, WRCOG experienced excess revenues from the PACE Programs, specifically the CA HERO Program, which were used to build Agency reserves and fund other agency / member activities and initiatives, such as BEYOND, Fellowship, Grant Writing, Experience, Streetlights, and Western Community Energy (WCE).

The exit of Renovate America from PACE presents WRCOG with a number of options and decisions to make related to the future of the residential aspect of the Program. As has been previously reported, over the past four years there has been a marked decline in the volume of residential PACE assessments. Simultaneously, there has also been a marked increase in the number of recorded payoffs of existing PACE assessments each year. The table below presents the changes in PACE Program activities since Fiscal Year 2016/2017.

HERO Projects by Fiscal Year			Payoffs by Fiscal Year
Fiscal Year	Completed Projects	Percentage Decrease from Prior Year	Payoffs
2016/2017	23,560	-	6,591
2017/2018	13,537	43%	11,042
2018/2019	3,775	72%	10,449
2019/2020	1,601	58%	10,120

The residential aspect of PACE has seen several regulatory changes that WRCOG has supported since 2018, including bolstering consumer protections, strengthened underwriting criteria, and enhanced protections for seniors. While this has enhanced the Program overall, these changes, along with market saturation and other PACE providers entering the market explain most of the decline since FY 2016/2017.

Based on the average number of PACE payoffs and the number of existing assessments, staff anticipates the total number of existing assessments could be less than 10,000 by Fiscal Year 2023/2024. In concert with the changing nature of new PACE assessments versus existing PACE payoffs, staff has shifted from processing, recording, and signing off on new assessments to the ongoing administration of the remaining bank of over 40,000 assessments. This administrative work includes selling delinquencies, processing refunds, and annual fees tied to the assessment. Based on this shifting workload, WRCOG has commensurately adjusted staffing to respond to work needs by utilizing payoff and annual administrative costs to cover staffing.

Through December 31, 2020, the HERO Program has collected \$306,468 in revenues for new projects against a budgeted amount of \$576,770, a difference of \$270,302. Since the Program will no longer be collecting revenues for new projects, this amount will be reduced and offset against an anticipated carryover that was budgeted. The anticipated carryover was \$290,000, so it will cover what the revenues will be reduced by. As stated above, WRCOG is still obligated to service these assessments throughout their remaining life and will continue to collect revenues related to administrative functions, including customer support.

Net Expenditure increase to the Energy Department: \$0

Prior Action:

None.

Fiscal Impact:

For the 2nd Quarter of Fiscal Year 2020/2021, there will a total net increase in expenditures of \$0.

Attachment:

1. 2nd Quarter draft Budget amendment for Fiscal Year 2020/2021.

Item 5.C

2nd Quarter Draft Budget
Amendment for Fiscal Year
2020/2021

Attachment 1

2nd Quarter draft Budget amendment
for Fiscal Year 2020/2021

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**Western Riverside Council of Governments
2nd Quarter Budget Amendment
For the Year Ending June 30, 2021**

Thru Actual 12/31/2020	Approved Budget 6/30/2021	Amendment Needed 12/31/2020
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Program: HERO

Revenues

WRCOG HERO Revenue	28,588	78,375	(49,787)
WRCOG HERO Recording Revenue	22,755	57,915	(35,160)
California HERO Sponsor Revenue	145,344	272,000	(126,656)
California HERO Recording fee Revenue	109,781	168,480	(58,699)
Total Revenues	\$ 306,468	\$ 576,770	\$ (270,302)

Expenses

Fund Balance Carryover	-	290,758	270,302
Total Expenses	\$ -	\$ 290,758	\$ 270,302

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Western Riverside Council of Governments Finance Directors Committee

Staff Report

Subject: The Economy and Financial Markets Update

Contact: Richard Babbe, Managing Director, Public Financial Management, babber@pfm.com, (213) 415-1631

Date: January 28, 2021

The purpose of this item is to provide an overview of the economic prospects of 2021, as well as potential future fiscal policy changes. 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 Richard Babbe of Public Financial Management.

Prior Action:

None.

Fiscal Impact:

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

Attachment:

None.

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