

Finance Directors Committee

Minutes

1. CALL TO ORDER

The meeting of the WRCOG Finance Directors Committee was called to order on February 23, 2023, at 1:04 p.m. by Chair Ernie Reyna on the Zoom platform.

2. ROLL CALL

- City of Beaumont - Lisa Leach
- City of Calimesa - Celeste Reid*
- City of Canyon Lake - Terry Shea
- City of Corona - Kim Sitton
- City of Eastvale - Amanda Wells
- City of Lake Elsinore - Brendan Rafferty
- City of Perris - Ernie Reyna (Chair)
- City of San Jacinto - Erika Gomez
- City of Wildomar - Adam Jantz
- Eastern Municipal Water District (EMWD) - John Adams
- Western Municipal Water District (WMWD) - Kevin Mascaro

*Arrived after Roll Call

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR – (EMWD / Wildomar) 10 yes; 0 no; 1 abstention. Items 4.A - 4.C were approved. The City of Beaumont abstained from the Minutes only.

A. Summary Minutes from the November 17 2022, Finance Directors Committee Special Meeting

Action:

1. Approved the Summary Minutes from the November 17, 2022, Finance Directors Committee Special meeting.

B. Finance Department Activities Update

Action:

1. Received and filed.

C. The Economy and Financial Markets and Investment Portfolio Performance

Action:

1. Received and filed.

5. REPORTS / DISCUSSION

A. Fiscal Year 2021/2022 Agency Audit

Brent Van Lant from Van Lant and Fankhanel reported that the Fiscal Year 2021/2022 audit is nearly completed and expected to be finalized in early March. While the audit is not final, WRCOG's auditors do not anticipate any findings or internal control deficiencies.

WRCOG implemented GASB 87, which resulted in a lease liability and right to use asset relating to WRCOG's office lease.

Two major changes will be implemented going forward with WRCOG's financial reporting:

1. Ninety six percent of TUMF revenues will be considered a fiduciary activity, with the exception of the remaining 4% for the administrative fee.
2. There were numerous Fiscal Agent accounts in WRCOG's name, which are considered conduit debt. The PACE bond trustee activity will be reported as a part of the PACE custodial fund.

The audit is expected to be completed by mid-March. WRCOG's Chief Financial Officer, Andrew Ruiz, will email audit reports and summaries to members of the Finance Directors Committee.

Action:

1. Received and filed.

B. WRCOG Financial Sustainability Modeling and Fiscal Year 2023/2024 Budget

Jessica Oliphant from consulting firm Baker Tilly gave a presentation on the sustainability planning and financial forecasting. An analysis on WRCOG's financial position and to long-range financial model for WRCOG's various Programs was performed. There were two models: one assuming no recession in the next ten years, and the other with a recession occurring in 2027. While the model presented is not final, it indicated consistent growth for the TUMF and LTF Fund over the next 10 years and showed potential deficiencies for the General Fund and Used Oil Program within the 10-year period modeled.

Committee member Celeste Reid asked about the interest rates increasing by 4%, which she deemed to be high.

Andrew Ruiz, WRCOG Chief Financial Officer, clarified that in the short-term, interest rates continue to go up, with funds yielding 4.25%. This may go down in the next 10 years, but for now it has been forecasted to remain around 4%.

The Inland Regional Energy Network Program will run through 2027, with a potential to extend it for another six years. WRCOG Deputy Executive Director Chris Gray explained that it was similar to a long-term grant in which WRCOG would apply on an ongoing basis.

Staff will continue to work with Baker Tilly to refine the model and apply it to the Fiscal Year 2023/2024 budget, and will help develop strategies to address budget shortfalls identified by the models. There will be audit-related changes and changes to the existing budget format in the Administration Department and performing a consolidation of accounts. WRCOG is looking into implementing a new accounting software and is currently putting together Request for Proposals.

Committee member Reid asked how many employees have been added in Fiscal Years 2022 and 2023.

Mr. Ruiz responded that there were four new positions added, but there have also been some positions that were eliminated due to the closing of some programs.

Action:

1. Received and filed.

C. Fiscal Year 2022/2023 Q2 Financial Update

Andrew Ruiz, WRCOG Chief Financial Officer, presented a budget update for Q2 of Fiscal Year 2022/2023.

Three budget amendments were approved under the Executive Director's Authority. All three amendments presented no net increase in expenditures:

1. The Used Oil Program increased its advertising budget by \$12k, with an offset in event support.
2. The Clean Cities Program budget was amended by \$2,800 in the Travel and Equipment categories.
3. Approximately \$515k in expenditures for the I-REN Program were moved in various categories, mainly in Membership dues.

Four budget amendments were requested and approved:

1. Commercial PACE budgets decreased from \$200k to \$110k. Projects are anticipated to be completed before the end of the fiscal year. There was also a reduction of the HERO PACE Program. It still generates revenues from refunds, payoffs, delinquency sell-offs, and administrative fees. In FY 2021/2022 homeowners were taking advantage of low borrowing rates and increasing home values, so they were paying off their HERO assessments early. Due to increasing rates and flattening home values, that is no longer the case, so the budgeted revenues have been reduced. Legal and Consulting expenditures will also be reduced.
2. A reduction of the I-REN Program revenues and expenditures due to decreased activity; however, these funds will be rolled over into a later period, as I-REN has until 2027 to expend its funds. The I-REN Executive Committee approved approximately \$11.2M in contracts that span over three years, and a substantial increase in activity is expected in the last four months of the fiscal year.
3. The REAP Program was extended an additional 18 months, and a second iteration of REAP, known as "REAP 2.0," has been added. Because of this, the budget for FY 2022/2023 will be reduced.
4. There was a \$5M increase in revenues for the TUMF Program due to increased development activity. Single-family and retail activity is lower, while multi-family, industrial, and commercial activity is higher, so changes are being made within those sectors.

Committee member Reid asked about unrealized gains and losses in the TUMF Program.

Mr. Ruiz responded that based on feedback received, adjustments will be made to the models in future iterations.

Action:

1. Recommended that the Executive Committee approve the mid-year budget amendment to the WRCOG 2022/2023 Fiscal Year Budget.

(Jurupa Valley / EMWD) 12 yes; 0 no; 0 abstention. Item 5.C was approved.

6. ITEMS FOR FUTURE AGENDA

There were no items for future agendas.

7. GENERAL ANNOUNCEMENTS

WRCOG'S Chief Financial Officer, Andrew Ruiz, reiterated that under direction of the Executive Committee, future meetings will be in person. Remote participation will be allowed as long as the Committee is compliant with the Brown Act requirements, and asked that members notify WRCOG 10 days prior to the meeting if they plan on participating remotely.

Chair Ernie Reyna mentioned a new initiative in which cities can raise fees. The bill made the ballot for November and will impact some jurisdictions. He asked Mr. Ruiz to look into it having a member of the League of California Cities to talk more about it.

Mr. Ruiz also extended an invitation for members to get involved in CSMFO Local Chapter meetings.

8. NEXT MEETING

The next Finance Directors Committee meeting is scheduled for Thursday, April 27, 2023, at 1:00 p.m., at WRCOG's office located at 3390 University Avenue, Suite 200, Riverside.

9. ADJOURNMENT

The meeting of the Finance Directors Committee adjourned at 1:56 PM