

# Administration & Finance Committee

## Minutes

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### 1. CALL TO ORDER

The meeting of the WRCOG Administration & Finance Committee was called to order by Chair Crystal Ruiz at 12:01 p.m., on April 12, 2023, in WRCOG's office.

### 2. PLEDGE OF ALLEGIANCE

Committee member Brian Tisdale led members and guests in the Pledge of Allegiance.

### 3. ROLL CALL

- City of Calimesa - Wendy Hewitt
- City of Corona - Jacque Casillas
- City of Jurupa Valley - Chris Barajas
- City of Lake Elsinore - Brian Tisdale
- City of Perris - Rita Rogers
- City of San Jacinto - Crystal Ruiz (Chair)
- County of Riverside, District 2 - Karen Spiegel
- Western Municipal Water District - Brenda Dennstedt

#### Members absent:

- City of Eastvale
- City of Norco
- County of Riverside, District 3

### 4. PUBLIC COMMENTS

There were no public comments.

**5. CONSENT CALENDAR** – (Lake Elsinore / WMWD) 8 yes; 0 no; 0 abstention. Items 5.A through 5.C were approved.

#### **A. Summary Minutes from the March 8, 2023, Administration & Finance Committee Meeting**

##### **Action:**

1. Approved the Summary Minutes from the March 8, 2023, Administration & Finance Committee meeting.

#### **B. 2022 Fee Comparison Analysis Update - Final Report**

**Action:**

1. Received and filed.

**C. Finance Department Activities Update**

This item was pulled by Committee member Wendy Hewitt who indicated that, based on the budget, the General Fund will have a loss of \$209k and asked for an update on whether there are anticipated expenditures, specifically in the HERO Program.

Andrew Ruiz, WRCOG Chief Financial Officer, responded that there was a budget adjustment in Quarter 2 (Q2) with respect to the HERO Program, as a deficit is anticipated.

Committee member Hewitt asked what happens if WRCOG does not obtain the other \$792k.

Mr. Ruiz stated that staff would have to draw down the Fund balance.

Dr. Kurt Wilson, WRCOG Executive Director, added that the HERO Program is in its wind-down phase, so it is expected that the sources of revenue will continue to dwindle.

Mr. Ruiz stated that there are four revenue sources from the HERO Program: administrative fees, early pay-offs, delinquency sell-offs, and refunds. For the Q2 Budget Amendment, various line items were reduced to try to minimize the deficit.

Gray Gray, WRCOG Deputy Executive Director, added that a majority of the revenue comes in once a year via the administrative fees in April and May.

Committee member Hewitt asked if an update of the FY 2021/2022 Audit was available.

Mr. Ruiz replied that the audit is almost complete. WRCOG is working on some implementations regarding Governmental Accounting Standards Board standards, and once it is finalized it will be sent out to the Committee members and posted on the WRCOG website.

Committee member Hewitt also stated that WRCOG shows a General Fund of \$13M, and asked why WRCOG is holding onto it.

Mr. Ruiz responded that the Agency can have a sizeable balance in the General Fund, and as part of the Strategic Plan, WRCOG is working to establish a reserve policy.

Dr. Wilson added that for cities, it is recommended to have two months on hand to prevent a cash flow issue. For WRCOG, the revenues come in at different times and from different sources, but as a best practice, WRCOG strives to keep an appropriate balance to maintain a cash flow.

**Action:**

1. Received and filed.

**6. REPORTS / DISCUSSION**

## **A. WRCOG Fiscal Year 2023/2024 Budget**

Dr. Kurt Wilson, WRCOG Executive Director, and Andrew Ruiz, WRCOG Chief Financial Officer, provided an update on the budget for FY 2023/2024. Based on discussions at the last meeting with the Executive Committee, staff are proposing a set of guiding principles which focus on ensuring the fair distribution of funds, requiring non-comprehensive programs to be self-sustaining, the long-term health of each fund, and moving towards these goals in an incremental way when full-scale immediate changes are impractical.

Member dues will stay the same for the current year, but components of the dues structure will be evaluated by the Technical Advisory Committee (TAC).

Committee member Wendy Hewitt stated that having an automatic escalator would leave fees subject to Consumer Price Index (CPI) increases.

Dr. Wilson explained that for this year's budget, there would be no changes to dues, but WRCOG is presenting this to the TAC which will then make a determination.

Committee member Brian Tisdale asked what the dues are used for.

Dr. Wilson replied that dues are used for administrative operations. At the moment, administrative functions are also funded through program fees and member dues.

Committee member Tisdale agreed that it is not ideal to keep dues static and shuffle dollars around. Costs have gone up, so the Committee should come up with a fair solution that makes sense.

Committee member Karen Spiegel added that cities contribute via the TUMF Program. There should be a consistent criteria for dues, despite how the resources are allocated.

Chris Gray, WRCOG Deputy Executive Director, clarified that there is a set formula in WRCOG's Bylaws, based 50% on population, and 50% on assessed value of all properties in a jurisdiction.

Dr. Wilson added that in the event that the Committee makes a change that is inconsistent with the Bylaws, then the Committee would amend the Bylaws and Joint Powers Agreement provision. This year, no changes are proposed, but going forward, the issue will be brought up to the TAC.

Committee member Jacque Casillas asked if the current fees follow the formula.

Mr. Gray replied that the fees have not been adjusted since 2011/2012. There were some changes when four cities were added, and when the Morongo Band of Mission Indians and the City of Beaumont were brought on.

Committee member Brenda Dennstedt clarified that the water districts are set on a flat fee of \$18k since it overlaps a large area, and asked if there is a nominal coverage on the Water Task Force.

Mr. Gray replied that the Water Task Force is funded through the Local Transportation Fund (LTF). It does not show as a separate budget revenue or expense line item.

Committee member Dennstedt would like to have something to show how Western Municipal Water District contributes to the benefits that the member agencies receive on behalf of the Water Task Force.

Committee member Hewitt suggested not raising dues just because the other agencies are raising their dues. The Committee should review and determine if a raise is truly necessary.

Dr. Wilson continued the presentation with the Solid Waste Program. The Program does not affect every member agency, only the ones who participate in it. Dues have not been reviewed in over 10 years, and in that time there has been an increase of new State mandates which lead to higher program costs. An increase the Solid Waste Program fees would allow the Program to be self-sustaining.

Committee member Casillas asked about the AB 939 Report Preparation, and what the Program provides to cities.

Casey Dailey, WRCOG Director of Energy & Environmental Programs, explained that CalRecycle requires compliance reports for AB 939, which includes AB 1383 reports. Capacity planning exercises have been done in the past. The Solid Waste Program service is optional for member jurisdictions.

Committee member Hewitt stated that there should be a cap of overhead allocations applied to programs. Overhead costs should not be over-extended, and dues should not be increased to support an unrealistic overhead allocation rate. Typical rates range between 8% and 20% for overhead administrative cost allocations.

Dr. Wilson replied that some programs, such as the TUMF, use a standard percentage. TUMF is limited to 4%. For the Solid Waste Program, WRCOG is charging the actual administrative costs necessary to run the Program, and there is no over-charge.

Dr. Wilson continued with the Clean Cities Program. Similar to the Solid Waste Program, participation is also optional. The dues have not been reviewed in over 10 years, and it is not in a long-term, healthy place since activity has increased. Funding sources for FY 2022/2023 are coming in from the the U.S. Department of Energy / West Virginia University partnership, as well as one-time grants, and the LTF allocation. Staff are actively working to apply for grants and finding new revenue sources, but it is difficult to predict if WRCOG will receive those funds. There is a proposed increase of 10%, not counting grant revenue.

Committee member Hewitt asked how the 10% increase was calculated.

Dr. Wilson replied that the number was higher, but he suggested only increasing by 10%, recognizing that it is difficult for member agencies to take on unplanned increases, and difficult to predict the offsets by grants.

Mr. Ruiz added that the 10% gap would close the difference in expenditures and revenues in the near term, but the Committee should consider the long-term health of the Program.

Committee member Rita Rogers reiterated that program dues have not been increased in over 10 years, so it would be unrealistic to not expect some sort of fee increase.

Dr. Wilson stated that the increase is based on the actual cost to run the Program, so there would be no excess. In the long-term, the Committee should consider a fund balance, but it will take a number of years for the Program to become self-sustainable.

Committee member Tisdale asked if the Committee would have to look at the numbers each year.

Dr. Wilson responded that the only expected year-to-year issue would be related to grant funding. The baseline fees are predictable, but the discount based on grant revenue would vary.

Committee member Tisdale asked what happens if the actual Program costs are under the predicted costs.

Mr. Ruiz replied that the funds would stay within the Program fund balance, separate from the General Fund.

Dr. Wilson touched on the Fellowship Program. There are no proposed changes, and the Program will continue until funds run out. To extend the life of the Program, staff will work to find additional funding sources, such as state or federal grants, fundraising, sponsorships, or support from philanthropic entities, including the WRCOG Supporting Foundation.

Committee member Tisdale asked what the City Managers think about the Program, and stated that it is a good Program, but it would be up to the City Managers to find a way to fund it if they want it to continue.

Dr. Wilson stated that the TAC is meeting next Thursday, and staff has received a positive response from the Committee in support of the Program.

Mr. Gray stated that the TAC wanted to keep the Program without changing the fiscal structure. WRCOG has not yet presented the findings that the Program will not work without those changes.

Committee member Hewitt suggested mentioning the Program at the General Assembly and asking for donations.

Committee member Casillas laments the termination of the Program. Smaller cities which do not have the capacity to create their own Fellowship Program would miss out.

Committee member Spiegel suggested having a brochure, or adding in the scrip to talk about the Program at the General Assembly to get a feel for the supporters of WRCOG, and see if they would be willing to donate.

Dr. Wilson then presented the I-REN Program. Although it is a partnership between three member agencies, WRCOG is the administrative lead and retains final budget authority and responsibility as part of its own budget. The proposal is to have the General Assembly approve \$65M over a period of several years, with approximately \$10M per year. The Committee would set a limit for revenue and expenditures for I-REN, require all spending to conform to the I-REN Business Plan, delegate full budget amendment authority to the WRCOG Executive Committee, and delegate limited budget authority to I-REN to meet programmatic needs.

Committee member Spiegel asked if only WRCOG has a say in the budget, not the other two entities.

Dr. Wilson replied that the I-REN Executive Committee is intended to make budget decisions, but because the dollars come through the WRCOG budget, this Committee would make the final approval.

Committee member Chris Barajas, stated that one concern of the I-REN Executive Committee is that there are three COGs, and two are in Riverside County. Telling the I-REN Executive Committee that its decisions are not final may upset a few of the members.

Committee member Casillas added that although the I-REN is not a Joint Powers Authority and not autonomous, the WRCOG Committees should still respect the decisions of the I-REN since it is a sensitive subject.

Mr. Dailey stated that there is a discussion on the equitable distribution on next I-REN Executive Committee agenda to address concerns that have been raised. An overview of the proposed budget will be presented to the I-REN Executive Committee, which will then be added into the overall WRCOG budget solely for the accounting and tracking purposes, with line items decisions reserved for the I-REN Executive Committee.

Chair Crystal Ruiz suggested to update the verbiage in the proposal to remove "limited budget authority" to prevent issues with the I-REN Executive Committee.

Dr. Wilson will work with legal counsel to figure out a way to clearly state the authority of each Committee in a way that is more palatable.

Committee member Barajas suggested changing the "full budget authority to WRCOG Executive Committee" to "limited budget authority."

Dr. Wilson stated this is a fail-safe to keep control in case something goes wrong.

Committee member Casillas stated that it depends on how the item is presented to the I-REN Executive Committee, and it is wise for WRCOG to maintain control. The other I-REN Executive Committee members want to feel like equal partners, they understand that WRCOG is the administrative body, but verbiage is important.

Steve DeBaun, WRCOG legal counsel, noted that the WRCOG needs to be careful because in the end, WRCOG will be the one responsible for the Program. WRCOG should not give away the power to take actions to protect the Agency.

Dr. Wilson added that the focus should be on the technical pieces. The I-REN Executive Committee pulls the strings, but does not have to go into detail into how that comes about.

Chair Ruiz wants to be conscious of the key phrases that might upset the other I-REN Executive Committee members. The verbiage should be worded in a way that will not give away the power, but can be explained in a way that will not upset the Committee members.

**Action:**

1. Received and filed.

**B. Environmental Department Activities Update - Regional Food Rescue and Technical Assistance RFP**

**Action:**

1. Due to time constraints, item 6.B was moved to next month's meeting.

**C. I-REN Activities Update and Survey Participation Results**

**Action:**

1. Due to time constraints, item 6.C was moved to next month's meeting.

**D. Appointment of WRCOG Representatives to Various Committees**

Chris Gray, WRCOG Deputy Executive Director, stated that WRCOG is periodically asked to make appointments to various regional committees. Committee representatives are always elected officials from WRCOG member agencies, not necessarily Executive Committee members, but elected officials.

Two vacancies exist:

1. Santa Ana Watershed Project Authority's One Water One Watershed Steering Committee (SAWPA OWOW) due to Ted Hoffman's untimely passing.
2. SCAG Policy Committee due to Linda Krupa being elected to a SCAG Regional Council seat.

Six applications were received for the SAWPA OWOW Committee, and the Administration & Finance Committee recommended Wes Speake.

Three applications were received for the SCAG Policy Committee, and the Administration & Finance Committee recommended Malcolm Lilienthal for the SCAG position in the Transportation Committee.

**RESULT: APPROVED AS RECOMMENDED**

**MOVER:** Perris

**SECONDER:** Calimesa

**AYES:** Calimesa, Corona, Jurupa Valley, Lake Elsinore, Perris, San Jacinto, WMWD

**ABSENT:** Eastvale, Norco, County District 2, County District 3

**Actions:**

1. Recommended that the Executive Committee appoint Wes Speake to the Santa Ana Watershed Project Authority's One Water One Watershed Steering Committee for a term commencing May 1, 2023, and ending December 31, 2024.
2. Recommend that the Executive Committee appoint Malcolm Lilienthal to SCAG Transportation Policy Committee for a term commencing May 1, 2023, and ending December 31, 2024.

**E. WRCOG 2023 Legislative Platform**

**Actions:**

1. Due to time constraints, item 6.E was moved to next month's meeting.

**7. REPORT FROM THE COMMITTEE CHAIR**

Chair Crystal Ruiz did not have anything to report.

**8. REPORT FROM THE EXECUTIVE DIRECTOR**

Dr. Kurt Wilson reported that WRCOG staff are working with the City of Norco to find an appropriate tribute for Mr. Hoffman at General Assembly.

**9. ITEMS FOR FUTURE AGENDAS**

There were no items for future agendas.

**10. GENERAL ANNOUNCEMENTS**

There were no general announcements.

**11. NEXT MEETING**

The next Administration & Finance Committee meeting is scheduled for Wednesday, May 10, 2023, at 12:00 p.m., in WRCOG's office at 3390 University Avenue, Riverside.

**12. CLOSED SESSION**

PUBLIC EMPLOYEE PERFORMANCE EVALUATION pursuant to Section 54957  
Title: Executive Director

CONFERENCE WITH LABOR NEGOTIATORS pursuant to Section 54957.6  
Agency designated representatives: Chair and General Counsel  
Unrepresented employee: Executive Director

**13. ADJOURNMENT**

The meeting of the Administration & Finance Committee adjourned at 2:10 p.m.