

Finance Directors Committee

Minutes

1. CALL TO ORDER

The meeting of the WRCOG Finance Directors Committee was called to order on April 28, 2022, at 1:01 p.m. by Chair Javier Carcamo on the Zoom platform.

2. PLEDGE OF ALLEGIANCE

Chair Carcamo led members and guests in the Pledge of Allegiance.

3. ROLL CALL

- City of Beaumont - Jennifer Ustation
- City of Calimesa - Celeste Reid*
- City of Canyon Lake - Terry Shea
- City of Jurupa Valley - Connie Cardenas*
- City of Lake Elsinore - Shannon Buckley
- City of Moreno Valley - Brian Mohan
- City of Murrieta - Javier Carcamo (Chair)
- City of Perris - Ernie Reyna
- City of San Jacinto - Erika Gomez
- City of Wildomar - Bob Howell
- Western Municipal Water District (WMWD) - Rod LeMond
- March Joint Powers Authority - Matt Schenk

*Arrived after Roll Call

4. PUBLIC COMMENTS

There were no public comments.

5. CONSENT CALENDAR – (Perris / March JPA) 9 yes; 0 no; 0 abstention. The City of Canyon Lake did not respond. Items 5.A and 5.B were approved.

A. Summary Minutes from the January 27, 2022, Finance Directors Committee Meeting

Action:

1. Approved the Summary Minutes from the January 27, 2022, Finance Directors Committee meeting.

B. Finance Department Activities Update

Action:

1. Received and filed.

6. REPORTS / DISCUSSION

A. The Economy and Financial Markets

Richard Babbe, Managing Director, Public Financial Management, reported that the current market themes discussed a strong labor market, inflation being at a 40-year high, and a depressed consumer confidence in the U.S. economy. Additionally, the invasion of Ukraine has impacted the economic landscape, and with the Federal Reserve tightening its monetary policy, we should expect to see several rate hikes in 2022. WRCOG's investments continue to follow a conservative investment approach and have continued to outperform the benchmark Treasury Index.

Action:

1. Received and filed.

B. Approval of Professional Services Agreement with Public Financial Management for Investment Management and Advisory Services

Andrew Ruiz, WRCOG Chief Financial Officer, reported that on February 25, 2022, staff solicited a proposal for investment management and advisory services through a formal RFP process through PlanetBids and the California Society of Municipal Finance Officers website. The proposed term of the engagement with the new firm would be for a minimum of three years, with an optional fourth and fifth year. There were a total of three proposals received.

A panel composed of WRCOG staff (the Chief Financial Officer, Administrative Services Director, and Accounting Manager) as well as the Director of Finance for March JPA, reviewed the proposals for multiple criteria, including experience with governmental clients, regulatory standings, reputation / social responsibility, quality of staff, service capacity, and cost. With this review, all three firms were invited to interview in April. After the interviews were completed, PFM was rated as the top firm. PFM's answers given during the interview were more responsive, and since PFM is already WRCOG's portfolio manager, its familiarity with the Agency and its priorities was demonstrated. Lastly, PFM's investment arm was also recently acquired by US bank, further enhancing the potential offerings it can provide to the Agency.

Action:

1. Recommended that the Executive Committee approve an agreement with Public Financial Management to provide investment management and advisory services for WRCOG, starting with Fiscal Year 2022/2023, through Fiscal Year 2024/2025, with an option for the Executive Director to extend services for an additional two fiscal years.

(WMWD / Murrieta) 10 yes; 0 no; 0 abstention. The City of Moreno Valley did not respond. Item 6.B was approved.

C. Approval of Professional Services Agreement with Van Lant & Fankhanel for Financial Auditing Services

Andrew Ruiz, WRCOG Chief Financial Officer, presented on the solicited Request for Proposal (RFP) results for financial auditing services, after being with its current auditor, Rogers Anderson, Malody and Scott (RAMS), for five years. The RFP received four proposals, and all four firms were interviewed, including RAMS. Government Finance Officers Association (GFOA) best practice on the subject recommends public agencies enter into multi-year agreements of at least five years in duration when obtaining independent auditor services. In addition, the GFOA recommends entities undertake full-scale competitive processes at the end of the term of each audit contract, with the inclusion of the current auditors to ensure and augment the process, assuming the current auditor has proven satisfactory. While audit firm rotation is not mandatory, if auditor rotation does not result from the competitive process, agencies may consider requesting that senior engagement staff be rotated to provide a fresh perspective.

A panel composed of WRCOG staff (the Chief Financial Officer, Administrative Services Director, and Accounting Manager) as well as the Director of Finance for March JPA, and two WRCOG Executive Committee members, reviewed the proposals for multiple criteria, including experience with governmental clients, competence / education of the team, and price. With this review, all four firms were invited to interview in March. After interviews were completed, Van Land & Fankhanel (VLF) was rated as the top firm.

While all of the firms specialized in local governmental audits, VLF was selected for its hands-on approach to performing financial audits, where the audit partners are engaged in the day-to-day of the audit, increasing efficiencies in the audit process, but also providing a higher-level of assurance since the partners will be more involved than one would typically expect. RAMS, WRCOG's former auditor, was also interviewed, and while the group of individuals also interviewed well, RAMS' prices increased significantly compared to its previous costs, and were also the highest overall compared to the other bidders. While one other audit firm had lower total fees for the duration of the proposed agreement, the difference was nominal and the other factors outweighed the recommendation for VLF.

The amount of the contract for the first two years will be \$39,500 each year (\$26,500 for WRCOG and \$13,000 for RCHCA, which is managed by WRCOG and has its own separate budget), increasing approximately 3% in years three and four, and increasing another 3% in year five.

Action:

1. Recommended that the Executive Committee approve an agreement with Van Lant & Fankhanel to conduct financial auditing services for WRCOG, starting with Fiscal Year 2021/2022, in an amount not to exceed \$119,650 through Fiscal Year 2023/2024, with an option to extend services for an additional two fiscal years..

(Perris / Wildomar) 10 yes; 0 no; 1 abstention. The City of Canyon Lake abstained. Item 6.C was approved.

D. Fiscal Year 2022/2023 Budget Development

Andrew Ruiz, WRCOG Chief Financial Officer, presented on the development of the Fiscal Year (FY) 2022/2023 Agency Budget, which is currently in development and will be a major change in layout from the previous year's look. Overall, WRCOG is anticipating \$75 million in revenues against \$45 million in expenditures. There are four major policy points that are currently in discussion: the establishment of a

HERO reserve, prepaying the CalPERS UAL, the continuation of the Fellowship Program at a different contribution percentage, and alternatives to the Grant Writing Program.

Action:

1. Received and filed.

7. REPORT FROM THE CHIEF FINANCIAL OFFICER

Andrew Ruiz, WRCOG Chief Financial Officer, shared that the General Assembly & Leadership Address will be held on Wednesday, June 23, 2022, at Pechanga Resort Casino and the guest speaker will be the co-founder of Apple Computers, Steve Wozniak.

8. ITEMS FOR FUTURE AGENDAS

Committee member Ernie Reyna requested a presentation on ARPA funding opportunities.

9. GENERAL ANNOUNCEMENTS

There were no general announcements.

10. NEXT MEETING

The next Finance Directors Committee meeting is scheduled for Thursday, July 28, 2022, at 1:00 p.m., on the Zoom platform.

11. ADJOURNMENT

The meeting of the Finance Directors Committee adjourned at 2:06 p.m.