



Western Riverside Council of Governments Finance Directors' Committee

AGENDA

**Thursday, March 23, 2017
10:00 a.m.**

**County of Riverside Administrative Center
4080 Lemon Street
3rd Floor, Conference Room A
Riverside, CA, 92501**

PLEASE NOTE LOCATION

In compliance with the Americans with Disabilities Act and Government Code Section 54954.2, if special assistance is needed to participate in the Finance Directors' Committee meeting, please contact WRCOG at (951) 955-8311. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting. In compliance with Government Code Section 54957.5, agenda materials distributed within 72 hours prior to the meeting which are public records relating to an open session agenda item will be available for inspection by members of the public prior to the meeting at 4080 Lemon Street, 3rd Floor, Riverside, CA, 92501.

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

- 1. CALL TO ORDER (James Riley, Chair)**
- 2. SELF INTRODUCTIONS**
- 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 January 26, 2017, Finance Directors' Committee meeting are available for consideration. P. 1
- Requested Action:** 1. Approve Summary Minutes from the January 26, 2017, Finance Directors' Committee meeting.
- B. Summary Minutes from the September 22, 2016, Finance Directors' Committee meeting are available for consideration. P. 5
- Requested Action:** 1. Approve Summary Minutes from the September 22, 2016, Finance Directors' Committee meeting.
- C. Financial Report Summary through February 2017 Ernie Reyna P. 11
- Requested Action:** 1. Receive and file.
- D. Finance Department Activities Update Ernie Reyna P. 17
- Requested Action:** 1. Receive and file.
- E. Finance Directors' Committee Meeting Schedule for 2017 Ernie Reyna P. 19
- Requested Action:** 1. Approve the Schedule of Finance Directors' Committee meetings for 2017.

5. REPORTS/DISCUSSION

- A. Property Tax Assessment Peter Aldana, Assessor-County Clerk-Recorder P. 23
- Requested Action:** 1. Receive and file.
- B. Fiscal Year 2015/2016 Comprehensive Annual Financial Report Ernie Reyna, WRCOG P. 25
- Requested Action:** 1. Receive and file.
- C. Draft WRCOG Investment Policy Ernie Reyna, WRCOG P. 27
- Requested Action:** 1. Recommend that the Executive Committee approve and adopt the draft WRCOG Investment Policy.
- D. Draft Agency Budget for Fiscal Year 2017/2018 Ernie Reyna, WRCOG P. 49
- Requested Action:** 1. Receive and file.

6. ITEMS FOR FUTURE AGENDAS Members

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

7. GENERAL ANNOUNCEMENTS Members

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

8. **NEXT MEETING:** The next Finance Directors' Committee meeting is scheduled for Thursday, May 25, 2017, at 10:00 a.m., County of Riverside Administrative Center, 4080 Lemon Street, 3rd Floor in Conference Room A.
9. **ADJOURNMENT**

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1. CALL TO ORDER

The meeting of the Finance Directors' Committee was called to order at 10:08 a.m. by Ernie Reyna at the County Administrative Center, 3rd Floor in Conference Room A.

2. SELF INTRODUCTIONS

Members present:

James Riley, Cities of Eastvale and Wildomar (10:11 a.m. arrival)
Shannon Buckley, City of Lake Elsinore
Dena Heald, City of Moreno Valley
Matthew Schenk, March Joint Powers Authority (10:20 a.m. arrival)

Staff present:

Ernie Reyna, Chief Financial Officer
Barbara Spoonhour, Director of Energy and Environmental Programs
Jennifer Ward, Director of Governmental Relations
Andrew Ruiz, Program Manager
Andrea Howard, Staff Analyst
Cherish Latchman, Staff Technician
Amber Bolden, Intern
Lupe Lotman, Executive Assistant

Guests present:

Candace Cassel, City of Moreno Valley
Laura Franke, Public Financial Management
Brian Crawford, City of Murrieta
Daniel Soltero, City of Murrieta

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR –*Item 4.A was not approved due to a lack of quorum. The Cities of Banning, Calimesa, Canyon Lake, Corona, Hemet, Jurupa Valley, Menifee, Murrieta, Norco, Perris, Riverside, San Jacinto, and Temecula, the County of Riverside, the Eastern Municipal Water District, the March Joint Powers Authority, the Morongo Band of Mission Indians, the Riverside County Superintendent of Schools, and the Western Municipal Water District were not present.*

A. Summary Minutes from the September 22, 2016, Finance Directors' Committee meeting.

Action: 1. *Due to a lack of quorum, the Summary Minutes from the September 22, 2016, Finance Directors' Committee meeting will be brought back to the Committee for approval.*

B. Financial Report Summary through December 2016

Action: 1. *Received and filed.*

C. Finance Department Activities Update

Action: 1. Received and filed.

5. REPORTS/DISCUSSION

A. Regional Streetlight Program Activities Update

Laura Franke, Public Financial Management (PFM), reported that the City of Lake Elsinore approved to submit its Purchase and Sales Agreement (PSA). The Executive Committee approved and recommended Bank of America to review program participants' financials and credit rates based on the desirable features of credit, pricing, security, and flexibility. City participation is an ongoing conversation and cash flow feasibility meetings are complete. PFM developed very robust financing models and is hearing that the costs of lamps being assumed are on the conservative side. Staff has distributed lighting district guidelines to the cities. If you have not received this information, you may contact Ms. Franke or Tyler Masters at WRCOG. PFM has submitted preliminary credit information to Bank of America, and staff anticipates providing the cities with this information the beginning of March. Upon submission of the PSA, documents will be processed for financing to set a closing date. Staff has circulated various versions of cash flows; however, it is still being updating. There is consideration of reducing the costs of the lamps. The city-specific incentives have changed twice but will be going away. PFM has been assuming taxable rates versus tax-exempt financing because, for example, a \$1 million project that has eight poles with a revenue of \$1000 each provides a break-even when using taxable debt. Nine poles at \$1000 will exceed the tax exempt limit. 15 years of debt service is being assumed after the completion of retrofit. A prepayment is allowed after five years with 2% prepayment premium of the outstanding balance. Nine out of 15 jurisdictions rated A or better credit rating. Bank of America may require a reserve from non-rated cities. A shared reserve has been created that each of the city's contribution will be put towards final debt service payment, thereby allowing smaller cities to participate. An example of a 20-year cash flow with the City of Lake Elsinore was provided. The City has 3,200 SCE-owned streetlights and will add 300 city-owned streetlights. Overall, the City savings are expected to be \$2,757,580. The next steps include considering the proposed reserve structure. It is expected to have the draft lease documents in February 2017. Once bond council reviews, the documents will be distributed to the cities. Some City Councils have already started the approval process and a request for proposal will be going out to select a provider.

Action: 1. Received and filed.

B. Distribution of Round II BEYOND Allocations to Member Jurisdictions

Andrea Howard reported that BEYOND is a local assistance fund that was created in 2015, with carryover revenues generated by the HERO Program in Fiscal Year 2014/2015. Round I of BEYOND provided \$1.8 million to member agencies to make progress toward the six goal areas outlined in WRCOG's Economic Development and Sustainability Framework. Currently, there are more than 30 projects underway or already completed. For this coming year, the Executive Committee approved the allocation of Fiscal Year 2015/2016, with carryover revenues to be allocated as follows: \$1.05 million directed to agency reserves; \$700K toward Agency activities such as the Fellowship Program, Community Choice Aggregation, and the Regional Streetlight Program; \$250K that has been set aside for economic development, but not yet approved by the Executive Committee; and \$2.3 million to the BEYOND Program, including a central pot of \$2.05 million, plus two competitive set asides of \$175K for collaborative projects between member agencies and \$75K for healthy communities projects.

Due to inequities resulting from the funding distribution formula used in Round I, the Executive Committee has approved a new formula to allocate the central pot \$2.05 million. The new formula distributes funds through a series of per-capita allocations that incrementally decrease

as the population rises across five population tiers. Because this adjustment will result in some jurisdictions receiving less in this round, the Executive Committee approved an increase of \$250K and established a minimum allocation for all agencies of \$35,000, resulting in the \$2.05 million pot, compared to the \$1.8 million available in Round I.

Under the new formula and increased funding pot, only three jurisdictions will receive lower allocations compared to Round I, with the largest decrease being in the City of Temecula. In the coming month, WRCOG will release information on the application process for Round II.

Action: 1. *Received and filed.*

C. Update to Fiscal Year 2015/2016 Comprehensive Annual Financial Report

Ernie Reyna reported that the Comprehensive Annual Financial Report (CAFR) was released yesterday, and staff will be distributing the report to all of the member jurisdictions. WRCOG auditors Vavrinek, Trine, Day & Co., LLP (VTD) reported two findings: 1) Violation of foreign investment policy, and 2) TUMF 5-year Transportation Improvement Program (TIP). It was confirmed that the foreign investment was in Japan, with holdings in the US. No money was lost in this transaction, and that WRCOG currently has Public Financial Management as an investment advisor to ensure this does not happen again. WRCOG bases their annual accruals related to TUMF projects on what the Finance Director's tell WRCOG to accrue. Mr. Reyna believed that they should accrue the entire programmed amount on the TIP, rather than just portions of it. The higher liability represents a more conservative approach, simply because the TUMF Program is at the discretion of the member agencies, which can be reverted back to the jurisdictions. WRCOG filed an extension with the Governments Finance Officers Association (GFOA) for an extension to be considered for the GFOA award.

Action: 1. *Received and filed.*

D. Finance Directors' Committee Meeting Schedule for 2017

Ernie Reyna reported that attached to the staff report is the 2017 WRCOG Finance Directors' Committee meeting schedule. Mr. Reyna would like to increase meeting attendance and require that eight members make quorum. All finance meetings are scheduled bi-monthly, on the 4th Thursday of the month at 10:00 a.m. For the March 23, 2017, meeting, the Riverside County Treasurer Department will provide a presentation on Property Taxes and where the County stands in the current year. The meeting locations can vary due to volunteer hosts; otherwise, the location will be at the County Administrative Center, 4080 Lemon Street, 3rd Floor in Conference Room A. Other reportable items for this Committee will include a preliminary budget, improvements, and meeting host.

Action: 1. *Due to a lack of quorum, the Schedule of Finance Directors' Committee meetings for 2017 will be brought back to the Committee for approval.*

6. ITEMS FOR FUTURE AGENDAS

There were no items for future agendas.

7. GENERAL ANNOUNCEMENTS

There were no general announcements.

8. NEXT MEETING

The Finance Directors' Committee meeting is scheduled for Thursday, March 23, 2017, at 10:00 a.m., in the County Administrative Center, 3rd Floor, Conference Room "A" in Riverside.

9. ADJOURNMENT

The meeting of the Finance Directors' Committee meeting adjourned at 10:39 a.m.

1. CALL TO ORDER

The meeting of the Finance Directors' Committee was called to order at 10:04 a.m. by James Riley at the County Administrative Center, 5th Floor in Conference Room C.

2. SELF INTRODUCTIONS

Members present:

Michelle Green, City of Banning
Patricia Song, City of Corona (10:08 a.m. arrival)
James Riley, Cities of Eastvale and Wildomar
Jessica Hurst, City of Hemet
Susan Olmstead-Bowen, City of Jurupa Valley
Bruce Foltz, City of Menifee
Marshall Eyerman, City of Moreno Valley (10:08 a.m. arrival)
Thomas Prill, City of San Jacinto
Matthew Schenk, March Joint Powers Authority (10:18 a.m. arrival)

Staff present:

Ernie Reyna, Chief Financial Officer
Jennifer Ward, Director of Governmental Relations
Christopher Gray, Director of Transportation
Andrew Ruiz, Program Manager
Lupe Lotman, Executive Assistant

Guests present:

Isabel Safie, Best Best & Krieger
Roger Crawford, Best Best & Krieger

3. PUBLIC COMMENTS

There were no public comments.

4. CONSENT CALENDAR – (Hurst/Green) 7 yes; 0 no; 0 abstention. Items 4.A through 4.C were approved by the Committee as a whole. The Cities of Calimesa, Canyon Lake, Corona, Lake Elsinore, Moreno Valley, Murrieta, Norco, Perris, Riverside, Temecula, the County of Riverside, the Eastern Municipal Water District, the Western Municipal Water District, the March Joint Powers Authority, the Morongo Band of Mission Indians, and the Riverside County Superintendent of Schools were not present.

A. Summary Minutes from the July 28, 2016, WRCOG Finance Directors' Committee meeting.

Action: 1. Approved Summary Minutes from the July 28, 2016, WRCOG Finance Directors' Committee meeting.

B. WRCOG Financial Report Summary through August 2016

Action: 1. *Received and filed.*

C. WRCOG Finance Department Activities Update

Action: 1. *Received and filed.*

5. REPORTS/DISCUSSION

A. Distribution of Fiscal Year 2015/2016 Agency Carryover Funds

Jennifer Ward reported that in conclusion of Fiscal Year (FY) 2014/2015, the agency allocated a total of \$3.3 million in carryover funds. The various WRCOG Committees were asked for direction on how to allocate those carryover funds. In June 2015, the Executive Committee approved the allocation of \$400K towards agency reserves, \$1.8 million towards the BEYOND Framework Fund, and the remaining \$1.1 million was allocated to WRCOG activities / other project(s).

In FY 2015/2016, WRCOG launched a Public Service Fellowship in partnership with the University of California, Riverside, and California Baptist University. 17 Fellows were assigned to local agencies who were interested in having a Fellow. Each Fellow is provided \$15/hour, not to exceed 960 working hours per year. Final expenditures for the pilot year have not yet been determined. At the conclusion of this pilot year, WRCOG will determine how to allocate funds and at what amount for the next round.

The BEYOND Framework Fund is broken down by member agency. Each member agency received a guarantee amount of funding that supports projects in the economic development and sustainability areas. The first round was divided by three tiers of population.

At the conclusion of FY 2015/2016, the agency carryover funds totaled \$4.3 million. On June 24, 2016, the Executive Committee approved the following categories: 1) \$400K contribution towards WRCOG reserves; 2) \$2.0 million toward BEYOND Round II; 3) \$100K to support Healthy Communities Activities; 4) \$700K for WRCOG activities; and 5) \$1.1 million towards funding for regional or other projects.

The Executive Committee approved and allocated \$2.0 million for the BEYOND Round II. There is \$1.8 million available in total for all agencies. \$200K is being "set aside" for collaboration incentives to encourage jurisdictions to partner on subregional projects. Items that are still under discussion are how to allocate the \$1.8 million and the method and formula to use for distributing the \$200K collaboration that is set aside.

An Ad Hoc Committee was convened to discuss formula options for the breakdown of funds. The Ad Hoc Committee and the Administration & Finance Committee recommended using the same formula as Round I, using the base amount for three population tiers. The second recommendation was to use more tiers (i.e., option nine to use a fixed base plus HERO projects.)

Chairman Riley asked when a decision will be made on which formula will be used.

Ms. Ward replied that in October, the Administration & Finance Committee will review Options 1, 2, and 8, and provide a recommendation for approval by the Executive Committee in November. Two of the BEYOND Programs will likely be rolled out at the beginning of 2017.

Committee member Susan Olmstead-Bowen indicated that the City of Jurupa Valley loves this Program. The Chamber of Commerce has received speaking equipment and it has been a great Program for the City.

Ms. Ward indicated that at the end of Round I, WRCOG will put together a report on all of the projects.

Another set-aside of \$100K is for Healthy Communities initiatives. This set-aside can be used for a Farmers Market, a local health plan or anything related to health. There will be a cap of up to 10 jurisdictions on a first-come first-serve basis.

Chairman Riley asked if the funds are available now to the cities or at a certain point in time.

Ms. Ward indicated that the method for allocating the funds is still under discussion. Internally, WRCOG is determining if it makes sense to tie this to the BEYOND Program or keep separate. There will be a discussion and direction at the October Administration & Finance Committee.

Ernie Reyna indicated that the funds are currently there and available; it is just a matter of how to allocate.

Ms. Ward indicated that all committees will be notified when the funds are available, and will provide the committee with additional backup / options / details on BEYOND for any jurisdictional feedback.

The remaining \$1.1 million was discussed by the Ad Hoc Committee, Technical Advisory Committee, and Administration & Finance Committee, to include a discussion on reserves. The Ad Hoc Committee asked to put \$250K of the \$1.1 million into a regional economic development plan and branding effort for Western Riverside County. There was a request to develop an economic working group composed of members from the jurisdictions. Announcements and more details are to come in the next couple of months.

The remaining \$850K was requested to be placed into reserves, but can be used towards an initiative that WRCOG is interested in such as developing a demonstration center to showcase all of the work that has been accomplished.

Chairman Riley asked if the carryover funds are all from the HERO Program.

Mr. Reyna replied that yes, they are from HERO net revenues.

The \$700K that is set aside for WRCOG activities will be used, upon approval by the Executive Committee, for projects such as the water quality framework for regional stormwater management and services for grant writing.

Christopher Gray indicated that the grant writing might turn into something larger. Some people write grants and others have grants written for them and it is found out that having grants written for them is most successful.

Action: 1. *Received and filed.*

B. TUMF Financial and Programming Review

Christopher Gray reported that the TUMF Program is a regional traffic mitigation program that WRCOG administers. The way the Program works is the cities collect funds as building permits are issued on new development.

Last year \$44 million was collected. Approximately \$20 million will be given back to the cities for programming next year on TUMF projects.

Overall, the City of Corona had the highest collection of TUMF due to development, with the least amount of activity occurring in the Pass area.

WRCOG is going through a process with its Public Works Committee to identify approved projects to be funded. There is approximately \$60 million available for TUMF programming over the next five years amongst the six Zones. WRCOG is still in the process of updating the TUMF Nexus Study, therefore wanted to provide the cities flexibility in how they program projects.

Project adjustment worksheets and draft TIPs will be emailed to the Zone TAC members in October 2016. Zone TAC meetings will be held in October / November 2016 to prioritize their projects. In November / December 2016 the Zone Committee will be asked to make a final determination.

WRCOG is doing everything it can to process reimbursements (payments) as quickly as possible. If any jurisdiction feels the process is taking too long, to please inform WRCOG. Additional consultants have been hired to assist with invoices.

Lastly, an analysis has been done that has tracked TUMF monies and roughly \$300 to \$400 million has been distributed to cities for projects that have been built. A photo of the Magnolia Grade Separation ribbon cutting was shown. TUMF pays for 30% to 40% of most transportation projects.

Action: 1. *Received and filed.*

C. Five-Year Expenditure Report

Christopher Gray reported that WRCOG has completed a TUMF Program 5-Year Expenditure Report. A consultant, Paul Rodriguez of Rodriguez Consulting Group (RCG), was hired to complete the study. The State of California mandates that every five years WRCOG has to demonstrate how TUMF monies are being spent and what it is being spent on. The last expenditure report was completed in 2009 and the consultant concluded that WRCOG is meeting its state requirements. \$170 million in revenues was collected since the last report. The first couple of years of the TUMF Program were all single-family residential with Industrial being a large component. WRCOG is trying to spend down the TUMF as the funds are allocated to projects. RCG recommended to WRCOG the following: 1) for WRCOG to be more consistent with its reporting with all partners; 2) to encourage a timely use of programmed funds; 3) to monitor the balance; 4) to clarify projects; and 5) to develop a Capital Improvement Program with the Western Riverside County Regional Conservation Authority.

D. The Implications of Flores vs. Gabriel

Isabel Safie reported on the recent court ruling of Flores versus San Gabriel, outlining the new guidelines that indicate how cash-in-lieu of benefit payments need to be included when calculating overtime. What is significant about the case is it changes the landscape on not only what is deemed compensation for the purposed calculation of overtime pay for nonexempt employees, but on how employers view the utility of flexible benefit plans. Currently, the Fair Labor Standards Act (FLSA) on overtime basically indicates that nonexempt employees must receive compensation for all hours worked in excess of the FLSA overtime threshold at a rate of 1.5 times the regular rate of pay. Regular rate of pay is all remuneration for employment paid to, or on behalf of, the employee with a series of exemptions under the FLSA.

Roger Crawford indicated that the regular rate is not always the same and can indeed be the same amount as the straight time rate. There are extra benefits for compensation for items such as speaking another language that must be included in the regular rate. Everything is included, unless it falls under one of the FLSA exceptions.

Ms. Safie indicated that based on the light of this case, employers have to think carefully on what to exclude from the real compensation because there are significant liabilities beyond just the overtime calculations associated with it.

The consequences of the case are that it provided a private cause of action for employees to seek unpaid wages owed to them. There is a two-year Statute of Limitations (SOL) for a claim unless the employer's violation was willful, then there is an extra one-year imposed. If an employer violates overtime willfully, in addition to the overtime pay, the employer is responsible for an equal amount of damages. It provides a defense to damages for an employer who establishes that it acted in good faith and had reasonable grounds to believe its actions did not violate the FLSA.

There were two determination holdings: Cash-in-lieu and Bona Fide Plan. Cash-in-lieu payments must be included in the regular rate of pay for the purpose of calculating overtime payments pursuant to the FLSA. If a flexible benefit plan is not a bona fide plan under the FLSA, then all employer contributions under the plan are included in the regular rate of pay for purposes of calculating overtime pay.

This affects all employers regardless of size or industry with nonexempt employees that work FLSA overtime hours and that provide cash-in-lieu or opt-out payments to employees as part of a benefit arrangement (e.g., Section 125 Plan, Cafeteria Plan, or Flexible Benefit Plan).

A Cash-in-lieu plan is offered under Section 125 in order to satisfy the taxable benefit requirement. Two primary purposes to offer cash-in-lieu is to provide an incentive to waive costlier health coverage or as a mechanism to ensure that employees get the full value of the employer allowance whether allocated to benefits or taken as cash.

Under the 457 rules, an employee has to make an election before they earn income subject to that election. An employee can make an election to the cafeteria plan choosing cash and then separately making a deferred compensation election.

There is a big misconception with cafeteria plans, that cash-in-lieu has to be offered but it is not a requirement. A taxable benefit is what has to be offered. For example, Aflac is deemed a taxable requirement and accepted to the FLSA.

Bona Fide Plan requirements are: 1) the plan must be adopted by the employer and communicated to the employees; 2) the primary purpose is for health benefits; 3) it must be clear what is being provided to the employees; 4) the employer's contributions must be paid irrevocably to a trustee or third party pursuant to trust or agreement; and 5) if cash is provided, it must be "incidental."

According to the 2003 Department of Labor opinion letter, the cash-in-lieu benefits are "incidental" if they account for no more than 20% of the employer's total contribution amount. The court found the Department of Labor's reasoning unpersuasive and inadequately reasoned. The plan was not bona fide because 40% or more of the city's total contributions were paid in cash rather than received as benefits. Therefore, the city's payment to trustees or third parties were not excludable under section 207e(4).

Committee member Michelle Green asked if "total" means plan-wide or on an employee basis.

Ms. Safie replied that the court ruled plan-wide total for all benefits, not per employee.

Damages, in addition to the overtime pay, include liquidated damages and extension of SOL due to willful violation of the FLSA rules.

The Flores ruling only applies to FLSA overtime.

BB&K's position is, as of June 2, 2016, that all cash-in-lieu payments need to be included in the calculation of regular rate of pay for purposes of calculating overtime pay.

Committee member Susan Olmstead-Bowen asked if agencies are eliminating this benefit, and if they are paying for health insurance but no cash-in-lieu.

Ms. Safie replied that it is too early to tell.

Mr. Crawford indicated that it is going to be tough to eliminate cash-in-lieu. Employers are going to be questioning whether or not the cash-in-lieu is something they really want to be providing.

On the Bona Fide Plan analysis, the agency's plan must confirm it meets the FLSA Bona Fide requirements and the Code Section 125 rule. To calculate the ratio, divide the total cash-in-lieu payments by the total employer contributions.

To calculate the amount of cash-in-lieu payment attributed to the pay period where overtime was worked, use the monthly cash-in-lieu times 12 months / 52 weeks.

A calculation of the regular rate would be (weekly hours worked times hourly rate) + (weekly cash-in-lieu payment) / weekly hours worked.

In conclusion, ensure your agency is complying going forward, evaluate retroactive liability, but consult with labor counsel, consider whether incidental ration can be adjusted, determine alternative soft cash-in-lieu, and review policies and coding.

Action: 1. *Received and filed.*

6. ITEMS FOR FUTURE AGENDAS

Ernie Reyna mentioned that the net HERO revenues distribution will be an item for discussion on a future agenda.

7. GENERAL ANNOUNCEMENTS

Ernie Reyna announced that this Committee's next scheduled meeting is on Thursday, November 24, 2016, which falls on the Thanksgiving holiday. Therefore, Mr. Reyna asked the Committee members if they would like to reschedule one week after, to Thursday, December 1, 2016, instead. The Committee members agreed with the date change.

Mr. Reyna indicated that in order to establish a quorum, eight Committee members are required to be present for voting items on the agenda. If a member is unable to make the meeting, an alternate voting member may be designated, and WRCOG must be informed of who that individual is.

8. NEXT MEETING

The next Finance Directors' Committee meeting is scheduled for Thursday, December 1, 2016, at 10:00 a.m., in the County Administrative Center, 3rd Floor, Conference Room "A" in Riverside.

9. ADJOURNMENT

The meeting of the Finance Directors' Committee meeting adjourned at 12:00 p.m.



Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Financial Report Summary through February 2017

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.coq.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to provide a monthly summary of WRCOG's financial statements in the form of combined Agency revenues and costs.

Requested Action:

1. Receive and file.

Attached for Committee review is the Financial Report Summary through February 2017.

Prior Action:

January 26, 2017: The Finance Director's Committee received report.

Fiscal Impact:

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

Attachment:

1. Financial Report Summary – February 2017.

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Item 4.C

Financial Report Summary through
February 2017

Attachment 1

Financial Report
Summary – February 2017

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Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending February 28, 2017

		Approved 6/30/2017 Budget	Thru 2/28/2017 Actual	Remaining 6/30/2017 Budget
Revenues				
40001	Member Dues	309,410	306,410	3,000
42001	Other Revenue	-	3,515	(3,515)
42004	General Assembly	300,000	5,000	295,000
40601	WRCOG HERO	1,963,735	903,078	1,060,657
40603	CA HERO	7,615,461	4,573,813	3,041,648
40605	The Gas Company Partnership	62,000	41,031	20,969
40606	SCE WRELP	4,692	77,698	(73,006)
40607	WRCOG HERO Commercial	27,500	13,404	14,096
40609	SCE Phase III	10,643	10,634	9
40611	WRCOG HERO Recording Revenue	335,555	200,625	134,930
40612	CA HERO Recording Revenue	1,301,300	919,590	381,710
40614	Active Transportation	200,000	50,254	149,746
41201	Solid Waste	107,915	98,415	9,500
41401	Used Oil Opportunity Grants	290,227	264,320	25,907
41402	Air Quality-Clean Cities	228,000	161,750	66,250
40616	CCA Revenue	247,950	102,095	149,918
40617	Energy Admin Revenue	31,678	30,000	1,678
41701	LTF	701,300	701,250	50
43001	Commercial/Service - Admin (4%)	37,074	45,953	(8,879)
43002	Retail - Admin (4%)	142,224	54,031	88,193
43003	Industrial - Admin (4%)	128,446	113,242	15,204
43004	Residential/Multi/Single - Admin (4%)	1,067,271	475,354	591,917
43005	Multi-Family - Admin (4%)	224,983	58,994	165,989
43001	Commercial/Service	889,786	1,103,157	(213,371)
43002	Retail	3,413,375	1,296,736	2,116,639
43003	Industrial	3,082,710	2,717,816	364,894
43004	Residential/Multi/Single	25,614,514	11,408,214	14,206,300
43005	Multi-Family	5,399,595	1,415,859	3,983,736
	Total Revenues	61,237,078	27,152,582	33,889,248
Expenditures				
	Wages and Benefits			
60001	Wages & Salaries	1,981,159	1,490,423	490,737
61000	Fringe Benefits	578,219	866,833	(288,614)
	Total Wages and Benefits	2,619,378	2,357,256	262,122
	General Operations			
63000	Overhead Allocation	1,520,636	1,012,091	508,545
65101	General Legal Services	450,949	471,744	(20,795)
65401	Audit Fees	25,000	15,300	9,700
65505	Bank Fees	25,500	115,751	(90,251)
65507	Commissioners Per Diem	46,950	35,250	11,700
73001	Office Lease	145,000	102,264	42,736
73003	WRCOG Auto Fuels Expense	678	353	325
73004	WRCOG Auto Maint Expense	33	33	0
73101	Special Mail Svcs	1,500	1,028	472
73102	Parking Validations	3,755	3,735	20
73104	Staff Recognition	1,200	632	568
73107	Event Support	185,980	74,958	111,022
73108	General Supplies	21,021	11,243	9,778
73109	Computer Supplies	8,937	4,806	4,132
73110	Computer Software	13,705	24,272	(10,567)

Western Riverside Council of Governments
Monthly Budget to Actuals
For the Month Ending February 28, 2017

		Approved 6/30/2017 Budget	Thru 2/28/2017 Actual	Remaining 6/30/2017 Budget
73111	Rent/Lease Equipment	25,000	21,452	3,548
73113	Membership Dues	21,364	17,176	4,188
73114	Subscriptions/Publications	8,539	16,621	(8,082)
73115	Meeting Support/Services	14,809	6,168	8,641
73116	Postage	5,708	2,031	3,677
73117	Other Household Expenditures	2,523	4,764	(2,241)
73118	COG Partnership Agreement	40,000	17,772	22,228
73122	Computer Hardware	4,000	337	3,663
73126	EV Charging Equipment	49,605	49,605	0
73201	Communications-Regular	2,000	559	1,441
73203	Communications-Long Distance	1,200	151	1,049
73204	Communications-Cellular	11,802	7,860	3,942
73206	Communications-Comp Sv	18,271	42,558	(24,287)
73209	Communications-Web Site	15,600	1,314	14,286
73301	Equipment Maintenance - General	7,070	10,565	(3,495)
73302	Equipment Maintenance - Computers	8,151	14,264	(6,113)
73405	Insurance - General/Business Liason	73,220	73,020	200
73407	WRCOG Auto Insurance	1,570	1,570	-
73502	County RCIT	2,500	545	1,955
73506	CA HERO Recording Fee	1,636,855	3,489,724	(1,852,869)
73601	Seminars/Conferences	23,035	10,175	12,861
73605	General Assembly	300,000	2,125	297,875
73611	Travel - Mileage Reimbursement	21,920	11,494	10,426
73612	Travel - Ground Transportation	8,779	2,615	6,164
73613	Travel - Airfare	22,837	9,436	13,401
73620	Lodging	19,016	5,914	13,102
73630	Meals	10,633	5,186	5,447
73640	Other Incidentals	14,888	7,294	7,594
73650	Training	12,200	40	12,160
73703	Supplies/Materials	41,851	300	41,551
73706	Radio & TV Ads	44,853	41,133	3,720
XXXXX	TUMF Projects	38,399,980	39,712,519	(1,312,539)
85101	Consulting Labor	3,497,028	2,075,012	1,422,016
85102	Consulting Expenses	245,000	3,613	241,387
85180	BEYOND Expenditures	2,023,000	234,186	1,788,814
90101	Computer Equipment/Software	31,500	21,227	10,273
90501	Office Improvements	100,000	3,276	96,724
97005	Benefits Transfer Out	-	(386,490)	386,490
97001	Operating Transfer Out	(1,518,136)	(1,033,406)	(484,730)
Total General Operations		56,198,774	46,377,164	9,821,610
Total Expenditures		58,818,152	48,734,420	10,083,732





Western Riverside Council of Governments

Finance Directors' Committee

Staff Report

Subject: Finance Department Activities Update

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.coq.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to provide an update on the WRCOG audit of Fiscal Year 2015/2016, which resulted in a final Comprehensive Annual Financial Report issued on January 31, 2017. This report also provides an update on the next upcoming Agency budget amendment report, an update on the annual TUMF Audit for 2015/2016, and the RFP process of selecting financial auditors.

Requested Action:

1. Receive and file.

Financial Audit

Financial auditors from Vavrinek, Trine, Day, & Co (VTD) have completed the financials of the Comprehensive Annual Financial Report (CAFR). The CAFR was issued with a report date of January 31, 2017. A report on the audit and financial statements will be discussed at the March 23, 2017, Finance Directors' Committee meeting under another item. The Administration & Finance Committee will receive the report at its April 12, 2017, meeting and the Executive Committee will receive the report at its May 1, 2017, meeting.

Budget Amendment

March 31, 2017, will mark the end of the third quarter of Fiscal Year 2016/2017, and it is anticipated the Administration & Finance Committee will be presented with a budget amendment at its April 12, 2017, meeting. The Technical Advisory Committee will also consider the amendment report at its April 20, 2017, meeting. The Executive Committee will consider the amendment report at its May 1, 2017, meeting.

Annual TUMF Audit for Fiscal Year 2015/2016

Staff has completed the TUMF audits of each jurisdiction and the final reports were issued the final week of February of 2017. The TUMF audits allow staff to ensure that member agencies are correctly calculating and remitting TUMF funds in compliance with the TUMF Program. There were no findings reported.

Request for Proposal of New Auditors

WRCOG staff has utilized the services of VTD for financial auditing services for the past five years. WRCOG has released a Request for Proposals (RFP) for future auditing services. RFPs from consultants were due to WRCOG by March 9, 2017. Staff has formed an Ad Hoc Audit Committee and is currently reviewing proposals and selecting the top candidates. It is anticipated that staff will present the recommended audit firm to the Administration & Finance Committee at its April 12, 2017, meeting and to the Executive Committee on May 1, 2017 for consideration.

Prior Actions:

March 8, 2017: The Administration & Finance Committee received report.
February 16, 2017: The Technical Advisory Committee received report.

Fiscal Impact:

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

Attachment:

None.



Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Finance Directors' Committee Meeting Schedule for 2017

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.cog.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to inform Committee members of scheduled meeting dates for 2017, and request approval thereof.

Requested Action:

1. Approve the Schedule of Finance Directors' Committee meetings for 2017.
-

Attached are the proposed 2017 meeting dates for the Finance Directors' Committee. All meeting dates are proposed bi-monthly for the fourth Thursday of the month and are scheduled to begin at 10:00 a.m. in the County of Riverside Administrative Center, 3rd Floor, Conference Room A.

Prior Action:

None.

Fiscal Impact:

None.

Attachment:

1. Schedule of Finance Directors' Committee meetings for 2017.

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WESTERN RIVERSIDE COUNCIL OF GOVERNMENTS SCHEDULE OF FINANCE DIRECTORS' COMMITTEE MEETINGS FOR 2017

WRCOG Standing Committees	Day	Time	JAN	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
Finance Directors' Committee	Bi-Monthly 4th Thurs.	10:00 a.m.	26	-	23	-	25	-	27	-	28	-	TBD	-

- Finance Directors' Committee meetings are held at the County Administrative Center, 3rd Floor in Conference Room A.

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Western Riverside Council of Governments Finance Directors' Committee

Staff Report

Subject: Property Tax Assessment

Contact: Peter Aldana, Assessor-County Clerk-Recorder, paldana@asrclrec.com, (951) 413-2879

Date: March 23, 2017

The purpose of this item is to provide an update on the change in property tax assessments in Riverside County.

Requested Action:

1. Receive and file.

This item is reserved for a presentation by Peter Aldana, Riverside Assessor-County Clerk-Recorder.

Prior Action:

March 24, 2016: The Finance Directors' Committee received report.

Fiscal Impact:

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

Attachment:

None.

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Western Riverside Council of Governments

Finance Directors' Committee

Staff Report

Subject: Fiscal Year 2015/2016 Comprehensive Annual Financial Report

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.coq.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to report on WRCOG's Fiscal Year 2015/2016 financial audit and Comprehensive Annual Financial Report (CAFR). The CAFR was issued with a report date of January 31, 2017.

Requested Action:

1. Receive and file.

Financial Audit

Financial auditors from Vavrinek, Trine, Day, & Co (VTD) have completed the financials of the CAFR, which was issued with a report date of January 31, 2017. A report on the audit and financial statements will be discussed at the March 23, 2017, Finance Directors' Committee meeting. The Administration & Finance Committee will receive the report at its April 12, 2017, meeting, and the Executive Committee will receive the report at its May 1, 2017, meeting.

WRCOG has completed its fifth year with auditors from VTD. In those five years, VTD has assisted WRCOG with the creation of financials statements that meet all standards of the Governmental Accounting Standards Board (GASB).

WRCOG has received the distinguished "Certificate of Achievement for Excellence in Financial Report" from the Government Finance Officers Association (GFOA) for three consecutive years, and all signs indicate that Fiscal Year (FY) 2015/2016 will also produce this distinguished award. The award recognizes that the Agency is transparent and has provided full disclosure of its financial statements and that the readers of the CAFR have all the information needed to draw a financial conclusion of the Agency. An application for the award was submitted and WRCOG anticipates receiving a response by April.

WRCOG's auditors provided an unmodified opinion on the FY 2015/2016 CAFR. An unmodified opinion is the highest form of assurance that an auditing firm can provide to their client, and means that the audit and associated agency financials are both in good form and the accounting practices are solid. There are three other opinions an auditing firm can provide which either necessitate the need to pursue major revisions to the financial statements, or provide little assurance as to the current internal controls or policies an agency has in place. Those opinions include modified, adverse, and a disclaimer of opinion.

WRCOG's total net position increased by 11%, or \$3.6 million, during FY 2015/2016 compared to the prior year's increase of \$4.2 million. The \$3.6 million increase in net position was mostly due to an increase in cash in the WRCOG and CA HERO Programs. Current assets increased from \$83.5 million in FY 2014/2015 to \$95.2 million, or 13.9%. This increase in current assets is attributable to more cash in the bank due largely to an increase in revenue from the WRCOG and CA HERO Programs.

Net Investment in Capital Assets represents .3%, or \$100,000 of WRCOG's total net position for FY 2015/2016 compared to .2%, or \$54,000, for FY 2014/2015. The increase is attributable to the purchase of new capitalized items, including computers, printers, office improvements, and an agency vehicle. Restricted net position accounts for 73.6%, or \$26.4 million, of WRCOG's total net position for FY 2015/2016 compared to 85.7%, or \$27.8 million, for FY 2014/2015. This component of net assets represents external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. All of the restricted net position applies to the Transportation Uniform Mitigation Fee (TUMF) Program as the Administration Plan requires that WRCOG hold the funds until a Zone has an opportunity to claim use of the funds through the Zone Transportation Improvement Program (TIP) process. The jurisdiction located within a particular Zone must demonstrate it has expended its own funds, is requesting reimbursement, and has provided the appropriate supporting documentation. Unrestricted net position accounts for 26.1%, or \$9.4 million, of WRCOG's total net position for FY 2015/2016 compared to 14.1%, or \$4.6 million, for FY 2014/2015. This component of WRCOG's total net position may be used to meet WRCOG's ongoing obligations to creditors.

Two findings were reported on WRCOG's FY 2015/2016 financials. The first finding is due to the treatment of liabilities within the TUMF Program. Management submitted a journal entry containing an amount that accrues the liability of the TUMF Program. The auditors believed only a certain portion of the TUMF liability should be accrued, while WRCOG believed the entire TUMF liability should be accrued, as a conservative approach. Management did not agree with the auditors, as it felt accruing the higher liability was the correct approach simply because the Program is at the discretion of the member agencies and at any given point, the restricted funds held in WRCOG's bank account could revert back to the member agencies. This finding was disputed and this was taken to GASB for review, and GASB sided with the auditors.

The second finding was an investment policy violation. This particular finding was properly communicated to management and stems from WRCOG's investment broker investing in a foreign company, which goes against the investment policy. The company in question is Nippon Telephone & Telegraph, which issues bonds in the United States. Although this company has offices located in the United States, it was determined by WRCOG's legal counsel that this corporation was organized in Japan, thereby making this investment option a violation of the policy. The percentage of WRCOG's portfolio affected by this particular investment represents only .20% of the entire portfolio and this bond was sold prior to the auditors testing of investments. In addition, there was no loss experienced due to this investment selection. WRCOG management accepted this finding and has since implemented a third party to oversee WRCOG's investment selection at Citizens Trust.

Prior Action:

January 26, 2017: The Finance Director's Committee received report.

Fiscal Impact:

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

Attachment:

None.



Western Riverside Council of Governments

Finance Directors' Committee

Staff Report

Subject: Draft WRCOG Investment Policy

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.cog.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to present WRCOG's revised Investment Policy to the Committee for review and input, and to forward to the Executive Committee for approval and adoption.

Requested Action:

1. Recommend that the Executive Committee approve and adopt the draft WRCOG Investment Policy.
-

On January 13, 2016, the Administration & Finance Committee approved having WRCOG staff amend WRCOG's contract with Public Financial Management (PFM) to have them serve as the financial advisor to the Agency, in addition to PFM's current contracted services. PFM's primary role is to support WRCOG with the debt issuance activity and provide investment recommendations through the current holdings at Citizens Trust and possibly other financial institutions in the near future consistent with WRCOG's investment policy. Other responsibilities would include, but are not limited to, providing advice on all aspects of any proposed capital financing; developing innovative solutions to WRCOG's funding requirements in order to achieve the most advantageous financing terms; making recommendations on the timing, sizing, maturity schedules, call provisions, and other details of bond issues; reviewing and making appropriate recommendations on all official statements and other documents necessary for debt issuance; as well as other responsibilities.

WRCOG's current Investment Policy has not been updated since it was created and adopted by the Executive Committee in October 2005. Because of this, PFM felt it was best to create an entirely brand new Policy. The new Policy has three primary objectives: safety, liquidity, and return on investment. The proposed Policy would ensure all investments held by WRCOG would comply with federal, state, and local laws governing the investment of funds. The goal of the portfolio is to remain liquid enough to meet all reasonably anticipated operating requirements. Finally, the investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

Prior Action:

None.

Fiscal Impact:

Financial service expenditures are included in the approved Fiscal Year 2016/2017 Agency Budget.

Attachments:

1. WRCOG Resolution Number 06-17; A Resolution of the Executive Committee of the Western Riverside Council of Governments Adopting an Investment Policy.
2. Draft WRCOG Investment Policy.

Item 5.C

Draft WRCOG Investment Policy

Attachment 1

WRCOG Resolution Number 06-17;
A Resolution of the Executive
Committee of the Western Riverside
Council of Governments Adopting an
Investment Policy

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RESOLUTION NUMBER 06-17

**A RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE WESTERN
RIVERSIDE COUNCIL OF GOVERNMENTS ADOPTING AN INVESTMENT
POLICY**

WHEREAS, the Executive Committee of the Western Riverside Council of Governments (the "Executive Committee" and "WRCOG" respectively) previously adopted Resolution No. 07-06, which approved an investment policy (the "Prior Policy"); and

WHEREAS, the California Legislature has provided standards for governing bodies authorized to make investment decisions for local agencies, which are set forth in Sections 16429.1, 53600-53609 and 53630-53686 of the California Government Code (the "Investment Act")

WHEREAS, the Investment Act allows local agencies to annually approve a statement of investment policy; and

WHEREAS, it has been determined that it is in the best interests of WRCOG to review and update the Prior Policy; and

WHEREAS, the Executive Committee has been presented with an updated investment policy (the "Investment Policy") attached hereto as Exhibit "A"; and

WHEREAS, the Executive Committee, with the aid of its staff, has reviewed the Investment Policy, which is designed to conform to the requirements of the Investment Act, and wishes to approve the Investment Policy; and

NOW, THEREFORE, BE IT RESOLVED by the Executive Committee of the Western Riverside Council of Governments as follows:

Section 1. The above recitals are true and correct.

Section 2. The Investment Policy is hereby approved and adopted, a copy of which is attached hereto as Exhibit "A" and by this reference is made a part hereof.

Section 3. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Executive Committee of the Western Riverside Council of Governments held on _____, 2017.

Ben Benoit, Chair
WRCOG Executive Committee

Rick Bishop, Secretary
WRCOG Executive Committee

Approved as to form:

Best Best & Krieger LLP,
General Counsel

EXHIBIT A

Item 5.C

Draft WRCOG Investment Policy

Attachment 2

Draft WRCOG Investment Policy

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**WESTERN RIVERSIDE COUNCIL
OF GOVERNMENTS
INVESTMENT POLICY**

Policy

The purpose of this investment policy ("Policy") is to identify prudent policies and procedures that shall govern the investment of the Western Riverside Council of Governments' ("WRCOG") funds. The ultimate goal of this Policy is to protect the safety of the invested funds, enhance the economic status of WRCOG, and to ensure that all investments comply with federal, state, and local laws governing the investment of the funds covered by this Policy.

Scope

This Policy shall cover all funds and investment activities under the direct authority of WRCOG and accounted for in the Comprehensive Annual Financial Report (CAFR), except for the employee's retirement and deferred compensation funds. In addition, deposits with banks under the provision California Government Code's "Deposit of Funds" provisions are excluding from this Policy's requirements.

Bond proceeds shall be invested in the securities permitted by the applicable bond documents. If the bond documents are silent as to the permitted investments, the bond proceeds will be invested in the securities permitted by this Policy. Notwithstanding the other provisions of this Policy, the percentage limitations listed in elsewhere in this Policy do not apply to bond proceeds.

Objectives

The primary objectives, in priority order, for WRCOG's investment activities shall be:

1. **Safety:** Safety of principal is the foremost objective of the investment program. WRCOG's investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
2. **Liquidity:** WRCOG's investment portfolio will remain sufficiently liquid to enable WRCOG to meet all operating requirements, which might be reasonably anticipated.
3. **Return on Investment:** WRCOG's investment portfolio shall be managed with the objective of attaining a market rate of return throughout budgetary and economic cycles.

The remainder of this Policy describes the policies and procedures to be followed in support of these objectives.

Prudence

All persons authorized to make investment decisions on behalf of WRCOG are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of WRCOG, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of WRCOG.

Authorized persons, acting in accordance with written procedures and this Policy and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price

changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Delegation of Authority

Responsibility for the investment program is hereby delegated by WRCOG's Executive Committee to the Treasurer, for a period of one-year, who shall thereafter assume full responsibility for the investment program until the delegation of authority is revoked or expires. Subject to review, the Executive Committee may renew the delegation of authority each year. The Treasurer may delegate the day-to-day investment activities to his/her designee(s) but not the responsibility for the overall investment program. If authorized by the Executive Committee, the Treasurer may also utilize the services of an external investment advisor to assist with the investment program. The investment advisor shall never take possession of WRCOG's funds or assets. No person may engage in investment activities except as provided under the terms of this Policy and the procedures established by the Treasurer.

Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Additionally, the Treasurer, other employees designated by WRCOG, and the investment advisor, if one is used; are required to prepare an Annual Conflict of Interest Statement (FPPC Form 700) pursuant to California Government Code section 87203.

Internal Controls

The Treasurer is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of WRCOG are protected from loss, theft or misuse. The procedures should include references to individuals authorized to execute transactions or transfers, safekeeping agreements, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking services contracts, as appropriate. The internal control structure shall be designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgement by management. Compliance with this Policy and internal controls shall be reviewed annually by WRCOG's independent auditor.

Authorized Financial Dealers and Institutions

Investments not purchased directly from the issuer, shall be purchased either from an institution licensed by the state as a broker-dealer or from a member of a federally regulated securities exchange, from a national or state-chartered bank, from a savings association or federal association or from a brokerage firm designated as a primary government dealer by the Federal Reserve bank. If WRCOG is utilizing financial dealers or institutions to execute transactions, the Treasurer shall maintain a list of the firms that have been approved for investment purposes. A copy of this Policy shall be sent annually to all firms with which WRCOG executes investments.

If WRCOG has contracted with an investment advisor to provide investment services, the investment advisor may use their own list of approved issuers, brokers/dealers and financial institutions with which to conduct transactions on WRCOG's behalf.

Authorized and Suitable Investments

The California Government Code provides basic investment limits and guidelines for government entities. In the event an apparent discrepancy is found between this Policy and the Government Code, the more

restrictive parameters will take precedence. Percentage holding limits listed in this Policy apply at the time the security is purchased. Credit ratings, where shown, specify the minimum credit rating category required at purchased. In the event a security held by WRCOG is subject to a credit rating change that brings it below the minimum credit ratings specified in this Policy, the Treasurer should notify the Executive Committee of the change in the next monthly investment report. The course of action to be followed will then be decided on a case-by-case basis, considering such factors as the reason for the change, prognosis for recovery or further rate drops, and the market price of the security. The following are suitable investments under this Policy:

- A. **U.S. Treasury Instruments.** United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest. There is no limitation as to the percentage of WRCOG's portfolio that may be invested in this category.
- B. **Federal Agency Securities.** Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises. There is no limitation as to the percentage of WRCOG's portfolio that may be invested in this category.
- C. **Supranational Obligations.** United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, International Finance Corporation, or Inter-American Development Bank, with a maximum remaining maturity of five years or less, and eligible for purchase and sale within the United States. Investments under this subdivision shall be rated in a rating category of "AA" or its equivalent or better by a Nationally Recognized Statistical Rating Organization ("NRSRO"). A maximum of 30% of WRCOG's portfolio may be invested in this category.
- D. **Municipal Debt.** Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

Registered treasury notes or bonds of any of the other 49 states in addition to California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states, in addition to California.

Bonds, notes, warrants, or other evidences of indebtedness of a local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. A maximum of 30% of WRCOG's portfolio may be invested in this category.

- E. **Medium-Term Notes.** Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations

organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Purchases are limited to securities rated in a rating category of "A" or its equivalent or better by an NRSRO. A maximum of 30% of WRCOG's portfolio may be invested in this category.

- F. **Negotiable CDs.** Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association, a state or federal credit union, or by a federally licensed or state-licensed branch of a foreign bank. Purchases are limited to securities rated in a rating category of "A" (long-term) or "A-1" (short-term) or their equivalents or better by an NRSRO. A maximum of 30% of WRCOG's portfolio may be invested in this category.
- G. **Asset-Backed Securities.** A mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer rated in a rating category of "A" or its equivalent or better for the issuer's debt as provided by an NRSRO and rated in a rating category of "AA" or its equivalent or better by an NRSRO. A maximum of 20% of WRCOG's portfolio may be invested in this category.
- H. **Commercial Paper.** Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or (2):
 - (1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation; (B) Has total assets in excess of five hundred million dollars (\$500,000,000), and (C) Has debt other than commercial paper, if any, that is rated in a rating category of "A" or its equivalent or better by an NRSRO.
 - (2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company, (B) Has program-wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or a surety bond, and (C) Has commercial paper that is rated "A-1" or better, or the equivalent, by an NRSRO.

Purchases are limited to securities that have a maximum maturity of 270 days. A maximum of 30% of WRCOG's portfolio may be invested in this category.
- I. **State of California's Local Agency Investment Fund ("LAIF").** Whenever WRCOG has funds invested in LAIF, the Treasurer shall periodically review the program's investments. The maximum amount invested in this category may not exceed the limit set by LAIF for operating accounts.
- J. **Local Government Investment Pools ("LGIP").** Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in Government Code. WRCOG will limit investments to LGIPs that seek to maintain a stable net asset value. Whenever WRCOG has any funds invested in a LGIP, the Treasurer shall maintain on file a copy of the LGIP's current information statement and periodically review the LGIP's investments. A maximum of 25% of WRCOG's portfolio may be invested in this category.

- K. **Money Market Funds (“MMF”).** Purchases are restricted to Government Money Market Funds. Furthermore, these Money Market Funds must have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two NRSROs, or (B) Retained an investment advisor with not less than five years’ experience and registered or exempt from registration with the SEC, with assets under management in excess of five hundred million dollars (\$500,000,000). Whenever WRCOG has any funds invested in a MMF, the Treasurer shall maintain on file a copy of the MMF’s current information statement. A maximum of 20% of WRCOG’s portfolio may be invested in this category.

Ineligible Investments

WRCOG shall not invest in any investment authorized by the Government Code, but not explicitly listed in this Policy without the prior approval of the Executive Committee. Furthermore, WRCOG will not invest in inverse floaters, range notes, mortgage-derived, interest-only strips, or any security that could result in zero interest accrual if held to maturity. WRCOG may hold any previously permitted but currently prohibited investments until their maturity dates.

Diversification

WRCOG shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type; excluding U.S. Treasuries, federal agencies, supranationals, and pooled investments such as LAIF, money market funds, or LGIPs.

Maximum Maturities

The Treasurer and/or his/her designee(s) shall maintain a system to monitor and forecast revenues and expenditures so that WRCOG funds can be invested to the fullest extent possible while providing sufficient liquidity to meet WRCOG’s reasonably anticipated cash flow requirements. Maturities of investments will be selected to provide necessary liquidity, manage interest rate risk, and optimize earnings. Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds.

The weighted average maturity of the investment portfolio shall not exceed 3.0 years. For those investment types for which this Policy does not specify a maturity limit, no individual investment shall exceed a maturity of five years from the date of purchase unless the Executive Committee has granted express authority to make that investment either specifically or as a part of an investment program approved by the Executive Committee no less than three months prior to the investment.

This Policy authorizes investing bond project and reserve funds beyond five years if the maturities of such investments do not exceed the expected use of the funds, the investments are deemed prudent in the opinion of the Treasurer, and the investments are not prohibited by the applicable bond documents.

Safekeeping and Custody

To protect against potential losses by collapse of individual securities dealers, all deliverable securities owned by WRCOG, including collateral on repurchase agreements, shall be held in safekeeping by a third party bank trust department acting as agent for WRCOG under the terms of a custody agreement executed by the bank and by WRCOG. All deliverable securities will be received and delivered using standard delivery-versus-payment procedures.

Performance Standards

The investment portfolio shall be managed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs. WRCOG will employ an active management approach that allows for the sale of securities prior to their scheduled maturity dates for purposes of improving the portfolio's credit quality, liquidity, or return in response to changing market conditions or WRCOG circumstances. This Policy recognizes that in a diversified portfolio occasional measured losses are inevitable and must be considered within the context of the overall portfolio's structure and expected investment return, with the proviso that adequate diversification and credit analysis have been implemented.

An appropriate performance benchmark shall be established against which portfolio performance shall be compared on a regular basis. The selected performance benchmark shall be representative of WRCOG's overall investment objectives and liquidity requirements.

Reporting

The Treasurer will prepare a monthly report of investment that shall include a complete description of the portfolio, type of investments, issuers, maturity dates, par values and current market values of each component of the portfolio, list of transactions, including funds managed for WRCOG by third party contract managers. The report will include a certification that: (1) all investment actions executed since the last report have been made in full compliance with this Policy and (2) the report shall include a statement denoting the ability of WRCOG to meet its expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may, not be available.

Investment Policy Adoption

WRCOG's investment policy shall be adopted by resolution of the Executive Committee. This Policy shall be reviewed annually by the Treasurer and any modifications made thereto must be approved by the Executive Committee.

GLOSSARY

The glossary is provided for general information only. It is not to be considered a part of the Policy for determining Policy requirements or terms.

AGENCIES: Securities issued by federal agency securities and/or Government-sponsored enterprises (e.g. FNMA, FHLMC, FHLB).

AMORTIZED COST (or Book Value): For investments purchased at a discount, amortized cost constitutes cost plus interest earned to date.

ASKED: The price at which securities are offered for sale; also known as offering price.

ASSET-BACKED SECURITIES (ABS): Securities whose income payments and hence value is derived from and collateralized (or "backed") by a specified pool of underlying assets which are receivables. Pooling the assets into financial instruments allows them to be sold to general investors, a process called securitization, and allows the risk of investing in the underlying assets to be diversified because each security will represent a fraction of the total value of the diverse pool of underlying assets. The pools of underlying assets can comprise common payments credit cards, auto loans, mortgage loans, and other types of assets. Interest and principal is paid to investors from borrowers who are paying down their debt.

BASIS POINT: One hundredth of one percent (i.e. 0.01 percent).

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CALLABLE BOND: A bond issue in which all or part of its outstanding principal amount may be redeemed before maturity by the issuer under specified conditions.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large denomination CD's are typically negotiable.

COMMERCIAL PAPER: An unsecured promissory note with a fixed maturity no longer than 270 days.

COLLATERAL: Securities, evidence of deposit or other property, which secures repayment of an investment. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of the (entity). It includes five combined statements for each individual fund and account group prepared in conformity with GAAP. It also includes supporting schedules necessary to demonstrate compliance with finance-

related legal and contractual provisions, extensive introductory material, and a detailed Statistical Section.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

(b) A certificate attached to a bond evidencing interest due on a payment date.

CREDIT RISK: The risk to an investor that an issuer will default in the payment of interest and/or principal on a security and a loss will result.

CUSTODIAN: A bank or other financial institution that keeps custody of stock certificates and other assets.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued at a discount and redeemed at maturity for full face value (e.g., U.S. Treasury Bills, commercial paper.)

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

DURATION: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. This calculation is based on three variables: term to maturity, coupon rate, and yield to maturity. Duration is expressed as a number of years. The duration of a security is a useful indicator of its price volatility for given changes in interest rates. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits.

FEDERAL FARM CREDIT BANK (FFCB): Government-sponsored institution that consolidates the financing activities of the Federal Land Banks, the Federal Intermediate Credit Banks and the Banks for Cooperatives. Its securities do not carry direct U.S. Government guarantees.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC or Freddie Mac):
Established in 1970 to help maintain the availability of mortgage credit for residential housing. FHLMC finances these operations by marketing guaranteed mortgage certificates and mortgage participation certificates. FHLMC's securities are highly liquid and are widely accepted. FHLMC is currently operated under conservatorship of the U.S. Government.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA or Fannie Mae):
FNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a Federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA is currently operated under conservatorship of the U.S. Government.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the U.S. which consists of seven member Board of Governors, 12 regional banks, and about 5,700 commercial banks that are members.

FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA): The Financial Industry Regulatory Authority (FINRA) is the largest independent regulator for all securities firms doing business in the United States. All told, FINRA oversees nearly 4,750 brokerage firms, about 167,000 branch offices and approximately 634,000 registered securities representatives.

INTEREST RATE RISK: The risk of gain or loss in market values of securities due to changes in interest-rate levels. For example, rising interest rates will cause the market value of portfolio securities to decline.

INVESTMENT POLICY: A clear and concise statement of the objectives and parameters formulated by an investor or investment manager for a portfolio of investment securities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL AGENCY INVESTMENT FUND (LAIF): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment purposes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): A type of pooled investment program in which funds from local agency investors/participants are aggregated together for investment purposes.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MEDIUM-TERM NOTES (MTNs): Unsecured corporate obligations. For purposes of the California Government Code, they have a maximum remaining maturity of five years or less.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

MONEY MARKET FUND. A type of mutual fund that invests exclusively in short-term investments.

MORTGAGE-BACKED SECURITIES (MBS): These securities represent an ownership interest in mortgage loans made by financial institutions (savings and loans, commercial banks, or mortgage companies) to finance the borrower's purchase of a home or other real estate. MBS are created when these loans are packaged, or "pooled," by issuers or servicers for sale to investors. As the underlying mortgage loans are paid off by the homeowners, the investors receive payments of interest and principal.

MUTUAL FUND: A fund operated by an investment company that raises money from shareholders and invests it on their behalf. Profits are distributed to shareholders after the investment company deducts its management fee. Mutual funds are regulated by the SEC.

NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION (NRSRO): A credit rating agency that issue credit ratings that the U.S. Securities and Exchange Commission (SEC) permits other financial firms to use for certain regulatory purposes. The largest three NRSROs are Standard & Poor's, Moody's Investors Service and Fitch Ratings.

NEGOTIABLE: Something that can be sold or transferred to another party.

NEGOTIABLE CERTIFICATES OF DEPOSIT: Large denomination certificates of deposit with a fixed maturity date, which can be sold in the money market. They are not collateralized.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The amount of principal that must be paid at maturity. Also referred to as the face amount of a bond, normally quoted in increments of \$1,000 per bond.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PREMIUM: The amount by which a security sells above its par value.

PRINCIPAL: The face or par value of a debt instrument or the amount of capital invested in a given security.

PRUDENT INVESTORS RULE: An investment standard. In California, persons authorized to make investment decisions on behalf of a local agency are considered trustees and therefore fiduciaries subject to the Prudent Investor Rule. A trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

SAFEKEEPING: A service banks offer to clients for a fee, where physical securities are held in the bank's vault for protection and book-entry securities are on record with the Federal Reserve Bank or Depository Trust Company in the bank's name for the benefit of the client. As agent for the client, the safekeeping bank settles securities transactions, collects coupon payments, and redeems securities at maturity or, if called, on the call date.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES: Investment instruments such as notes, bonds, stocks, money market instruments and other instruments of indebtedness of equity.

SECURITIES & EXCHANGE COMMISSION (sec): Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SPREAD: The difference between two figures or percentages. It may be the difference between the bid (price at which a prospective buyer offers to pay) and asked (price at which an owner offers to sell) prices of a quote, or between the amount paid when bought and the amount received when sold.

SUPRANATIONAL: Supranational entities are formed by two or more central governments with the purpose of promoting economic development for the member countries. Supranational institutions finance their activities by issuing debt, such as supranational bonds. Examples of supranational institutions include the European Investment Bank and the World Bank. Similarly to the government bonds, the bonds issued by these institutions are considered direct obligations of the issuing nations and have a high credit rating.

TREASURY SECURITIES. Obligations issued by the federal government, which are backed by the U.S. Government's full faith & credit. Generally considered to have the lowest credit risk of any security. They are issued in a range of maturities:

- **TREASURY BILLS.** Are short-term, non-interest bearing discount security having initial maturities of one-year or less.
- **TREASURY NOTES.** Are Intermediate-term coupon-bearing securities having initial maturities from two to ten years.
- **TREASURY BONDS.** Are long-term coupon-bearing securities having initial maturities of more than ten years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

WEIGHTED AVERAGE MATURITY (OR DURATION): The sum of the amount of each investment multiplied by the number of days to maturity (or duration), divided by the total amount of investments.

YIELD: The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security.

YIELD CURVE: Yield calculations of various maturities of instruments of the same quality at a given time to show yield relationships.

RESOLUTION NUMBER 06-17

**A RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE WESTERN
RIVERSIDE COUNCIL OF GOVERNMENTS ADOPTING AN INVESTMENT
POLICY**

WHEREAS, the Executive Committee of the Western Riverside Council of Governments (the "Executive Committee" and "WRCOG" respectively) previously adopted Resolution No. 07-06, which approved an investment policy (the "Prior Policy"); and

WHEREAS, the California Legislature has provided standards for governing bodies authorized to make investment decisions for local agencies, which are set forth in Sections 16429.1, 53600-53609 and 53630-53686 of the California Government Code (the "Investment Act")

WHEREAS, the Investment Act allows local agencies to annually approve a statement of investment policy; and

WHEREAS, it has been determined that it is in the best interests of WRCOG to review and update the Prior Policy; and

WHEREAS, the Executive Committee has been presented with an updated investment policy (the "Investment Policy") attached hereto as Exhibit "A"; and

WHEREAS, the Executive Committee, with the aid of its staff, has reviewed the Investment Policy, which is designed to conform to the requirements of the Investment Act, and wishes to approve the Investment Policy; and

NOW, THEREFORE, BE IT RESOLVED by the Executive Committee of the Western Riverside Council of Governments as follows:

Section 1. The above recitals are true and correct.

Section 2. The Investment Policy is hereby approved and adopted, a copy of which is attached hereto as Exhibit "A" and by this reference is made a part hereof.

Section 3. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a meeting of the Executive Committee of the Western Riverside Council of Governments held on _____, 2017.

Ben Benoit, Chair
WRCOG Executive Committee

Rick Bishop, Secretary
WRCOG Executive Committee

Approved as to form:

Best Best & Krieger LLP,
General Counsel

EXHIBIT A



Western Riverside Council of Governments

Finance Directors' Committee

Staff Report

Subject: Draft Agency Budget for Fiscal Year 2017/2018

Contact: Ernie Reyna, Chief Financial Officer, reyna@wrcog.coq.ca.us, (951) 955-8432

Date: March 23, 2017

The purpose of this item is to present WRCOG's Fiscal Year 2017/2018 draft Budget to the Committee for review and comment. This report highlights major changes in the budget compared to last year.

Requested Action:

1. Receive and file.

WRCOG's annual budget is adopted every June by the General Assembly. Before the Budget is approved by the General Assembly, it is vetted through WRCOG's Committees for comments and direction. The Budget is assembled by the following Agency Departments: Administration, Transportation, Energy, and Environment. Each Department contains its own programs and has its own source of funds within the accounting system. Once the Budget has been through the Committees, it is presented to the General Assembly as an "Agency-wide" Budget.

The draft Budget for Fiscal Year (FY) 2017/2018 will be presented according to the following schedule:

- April 12, 2017 – Administration & Finance Committee
- April 20, 2017 – Technical Advisory Committee
- May 1, 2017 – Executive Committee
- May 10, 2017 – Administration & Finance Committee
- May 18, 2017 – Technical Advisory Committee
- May 25, 2017 – Finance Directors' Committee
- June 5, 2017 – Executive Committee
- June 23, 2017 – General Assembly

The General Fund is the default agency department and receives its revenues mostly from Member Dues. Budgeted expenditures include salaries and benefits of those employees charged to Administration, including the Executive Director and Executive Assistants; the lease amount WRCOG pays to the County for rent; and audit, bank, legal, and consulting fees to name a few. Expenditures have historically exceeded revenues in this department so the Agency must charge overhead to the remaining departments to balance its budget. The overhead is determined during the creation of the Budget and is simply the amount needed to reduce expenditures down to the amount of revenues. Departments will show the amount of overhead they are paying in their general operations line item. Under the General Fund is also Government Relations, which manages the BEYOND Program and the Fellowship Program. Major highlights for FY 2017/2018 to the General Fund department include:

- Continue to fund BEYOND Program with \$2M in Agency carryover funds
- Continue to fund Fellowship Program with \$400K in Agency carryover funds

- Funding for a potential Deputy Executive Director position is included
- Funding for a new Office Manager and Fiscal Staff Technician position have been added
- \$15K will be budgeted to renew videographer services
- \$100K will be budgeted to begin funding for a feasibility study for a sustainability center

The Energy Department includes the following Programs: HERO, both local (WRCOG) and statewide (CA); Spruce; CA First; the Western Riverside Energy Leader Partnership (WRELP); the Regional Streetlight Program; and the Community Choice Aggregation (CCA). The HERO Program has generated a source of revenue for both the department as well as the Agency during the past couple of years. These carryover funds have also been used to fund the BEYOND and the Fellowship Programs. It is projected that net revenues for the HERO Program (both local and statewide) for FY 2016/2017 will be \$4.5M. Major highlights in FY 2017/2018 to the Energy department include:

- PACE revenues are anticipated to reach over \$10M in FY 2017/2018
- Regional Streetlight Program revenues are anticipated to be \$500K in FY 2017/2018
- Funding has been included for two potential new positions to the CCA Program, one new position for the Regional Streetlight Program, and one additional PACE recorder

The Environment Department includes the Used Oil and the Solid Waste Programs. These programs receive state funding to provide services to WRCOG's member agencies. FY 2017/2018 will also be the pilot year for WRCOG's new Litter Program. No major staffing or revenue changes are anticipated for the Environment Department.

The Transportation Department includes the Transportation Uniform Mitigation Fee (TUMF) Program; the Active Transportation Plan (ATP); and the Clean Cities Program, which was shifted over from the Environment Department to accommodate the Transportation aspect of the Program. The majority of revenues received in the Transportation Department come from the TUMF Program. For FY 2016/2017, TUMF revenues are anticipated to reach \$40M. Major highlights in FY 2017/2018 to the Transportation department include:

- TUMF revenues continue to stay constant and are anticipated to reach \$40M in FY 2017/2018
- No new staff are contemplated in the Transportation Department
- On-call planning consultants will be hired to assist with updates to the TUMF Program and other duties
- \$200K will be budgeted to begin funding of a regional Grant Writing Program
- \$150K will be budgeted to continue funding of a regional Water Quality Framework Program
- \$200K will be budgeted to begin an SB 743 implementation study, but should be offset by a SCAG grant

Prior Action:

None.

Fiscal Impact:

All major known and expected revenues and expenditures impacting the Agency have been budgeted for Fiscal Year 2017/2018, but will be continually updated throughout the budget process.

Attachment:

None.