San Gabriel Valley Council of Governments

NOTICE OF THE SPECIAL MEETING OF THE CITY MANAGERS' STEERING COMMITTEE

Date: Monday, April 10, 2017 – 12 noon

Location: West Covina City Hall

(1444 W Garvey Ave S, West Covina, CA 91790)

Thank you for participating in the City Managers' Steering Committee meeting. The City Managers' Steering Committee encourages public participation and invites you to share your views on agenda items.

MEETINGS: ***Regular Meetings of the City Managers' Steering Committee are held on the first Wednesday of each month at 12:00 noon at the Foothill Transit Office (100 S. Vincent Ave., Suite 200 West Covina, CA 91790.*** The City Managers' Steering Committee agenda packet is available at the San Gabriel Valley Council of Government's (SGVCOG) Office, 1000 South Fremont Avenue, Suite 10210, Alhambra, CA, and on the website, www.sgvcog.org. Copies are available via email upon request (sgv@sgvcog.org). Documents distributed to a majority of the Committee after the posting will be available for review in the SGVCOG office and on the SGVCOG website. Your attendance at this public meeting may result in the recording of your voice.

CITIZEN PARTICIPATION: Your participation is welcomed and invited at all City Managers' Steering Committee meetings. Time is reserved at each regular meeting for those who wish to address the Committee. SGVCOG requests that persons addressing the Committee refrain from making personal, slanderous, profane or disruptive remarks.

TO ADDRESS THE CITY MANAGERS' STEERING COMMITTEE: At a regular meeting, the public may comment on any matter within the jurisdiction of the Committee during the public comment period and may also comment on any agenda item at the time it is discussed. At a special meeting, the public may only comment on items that are on the agenda. Members of the public wishing to speak are asked to complete a comment card or simply rise to be recognized when the Chair asks for public comments to speak. We ask that members of the public state their name for the record and keep their remarks brief. If several persons wish to address the Committee on a single item, the Chair may impose a time limit on individual remarks at the beginning of discussion. **The City Managers' Steering Committee may not discuss or vote on items not on the agenda.**

AGENDA ITEMS: The Agenda contains the regular order of business of the City Managers' Steering Committee. Items on the Agenda have generally been reviewed and investigated by the staff in advance of the meeting so that the City Managers' Steering Committee can be fully informed about a matter before making its decision.

CONSENT CALENDAR: Items listed on the Consent Calendar are considered to be routine and will be acted upon by one motion. There will be no separate discussion on these items unless a Committee member or citizen so requests. In this event, the item will be removed from the Consent Calendar and considered after the Consent Calendar. If you would like an item on the Consent Calendar discussed, simply tell Staff or a member of the Committee.

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the SGVCOG office at (626) 457-1800. Notification 48 hours prior to the meeting will enable the SGVCOG to make reasonable arrangement to ensure accessibility to this meeting.

PRELIMINARY BUSINESS

1. Call to Order

2. Pledge of Allegiance

3. Roll Call

4. Public Comment *(If necessary, the Chair may place reasonable time limits on all comments)*

5. Changes to Agenda Order: Identify emergency items arising after agenda posting and requiring action prior to next regular meeting

CONSENT CALENDAR

6. City Managers' Steering Committee Minutes
Recommended Action: Approve City Managers' Steering Committee Minutes.

PRESENTATIONS

7. AB 346 (Daly & Brough) – Jeff Parker, City Manager, City of Tustin
Recommended Action: Discuss and provide direction to staff.

8. San Diego County Water Authority Correspondence – Shane Chapman, General Manager, Upper San Gabriel Valley Municipal Water District
Recommended Action: For information.

ACTION ITEMS

9. Draft FY 2017-18 Budget
Recommended Action: Discuss and provide direction to staff.

10. Measure H Guiding Principles
Recommended Action: Discuss and provide direction to staff.

DISCUSSION ITEMS

11. Caltrans Audit
Recommended Action: For information only

12. Ad Hoc ACE/ Large Capital Projects Committee Next Steps
Recommended Action: For information only.

13. Los Angeles Community Choice Energy (LACCE) Joint Powers Authority (JPA)
Recommended Action: For information only.

14. Measure M Guideline Development Update
Recommended Action: For information only.

15. Measure A Steering Committee
Recommended Action: For information only

16. Stormwater and MS-4 Permit Update
Recommended Action: For information only

UPDATE ITEMS

17. ACE Construction Authority – Oral Report
Recommended Action: For information only.

18. Executive Director's Monthly Report – Oral Report
Recommended Action: For information only.

COMMITTEE MEMBER ITEMS

ANNOUNCEMENTS

ADJOURN

SGVCOG
City Managers' Steering Committee Unapproved Minutes
March 1, 2017
12:00 Noon
Foothill Transit Office

1. Call to order. The meeting was called to order at 12:00 PM.

2. Pledge of Allegiance. C. Jeffers led the Pledge of Allegiance.

3. Roll Call

Members Present:		**Members Absent:**
Baldwin Park	S. Yauchzee	Arcadia
Diamond Bar	J. DeStefano	Monrovia
Duarte	D. George	Pomona
Glendora	C. Jeffers	
Claremont	T. Ramos	
La Canada Flintridge	M. Alexander	
La Verne	B. Russi	
South Pasadena	S. Gonzalez	
Temple City	B. Cook	
West Covina	C. Freeland	

SGVCOG Staff/Guests:
Phil Hawkey, Executive Director
M. Creter, Assistant Executive Director
E. Wolf, Staff
J. Gutierrez, Pasadena
B. Inman, Bradbury
M. Christoffels, ACE

4. Public Comment.
There were no public comments.

5. Changes to Agenda Order.
There were no changes.

PRESENTATIONS

6. Southern California Edison Coordination with Cities – Chris Thompson, Vice President, Local Public Affairs
P. Hawkey introduced Mr. Thompson. He reviewed efforts to improve SCE's outreach and coordination with cities and customers, especially with respect to planned and unplanned outages. He also provided updates on SCE's efforts related to meeting state climate change goals.

7. Los Angeles County Department of Public Works Initiatives – Mark Pestrella, Director
Mr. Pestrella began by stating his intention to establish a relationship with city managers, elected officials, and COGs. He briefly reviewed each section within County Public Works and how they might work with SGV cities.

He discussed his vision for a partnership between the Flood Control District and local agencies, stating that he is looking for a role in how to aid cities with compliance of their MS4 permits. He sees the Water Resiliency effort as an overarching strategy that will create a comprehensive plan and funding for construction of water capture and infiltration infrastructure.

Pestrella discussed transportation, noting that SGV has a reputation as a leader advocating for construction of transit and highway upgrades. He believes there is a need for the county to work with SGVCOG in coordinating planning and programming of Measure M funds.

Regarding waste management, Pestrella believes the county has a wealth of untapped expertise and information. He invited cities to reach out to this section and take advantage of their knowledge.

CONSENT CALENDAR

8. City Managers' Steering Committee Minutes

There was a motion to approve the consent calendar (M/S: B. Russi/C. Freeland).

[Motion Passes]

AYES:	Baldwin Park, Diamond Bar, Duarte, Glendora, Claremont, La Canada Flintridge, La Verne, Pomona, South Pasadena, Temple City, West Covina
NOES:	
ABSTAIN:	
ABSENT:	Arcadia, Monrovia, Pomona

ACTION ITEMS

9. FY 2015-16 Financial Audit

There was a motion to recommend that the Governing Board receive and file the financial audit (M/S: S. Gonzalez/T. Ramos).

[Motion Passes]

AYES:	Baldwin Park, Diamond Bar, Duarte, Glendora, Claremont, La Canada Flintridge, La Verne, Pomona, South Pasadena, Temple City, West Covina
NOES:	
ABSTAIN:	
ABSENT:	Arcadia, Monrovia, Pomona

10. SGVCOG Strategic Plan Update

There was a motion to recommend that the Governing Board approve the FY 2017-2018 Strategic Plan update (M/S: B. Russi/D. George).

[Motion Passes]

AYES:	Baldwin Park, Diamond Bar, Duarte, Glendora, Claremont, La Canada Flintridge, La Verne, Pomona, South Pasadena, Temple City, West Covina
NOES:	
ABSTAIN:	
ABSENT:	Arcadia, Monrovia, Pomona

DISCUSSION ITEMS

11. Ad Hoc ACE/ Large Capital Projects Committee Next Steps

P. Hawkey reviewed the action taken by the February Governing Board. He discussed the job and salary of the Transportation Planner/Program Manager. He stated that the

Governing Board charged staff with developing a plan for the continuation of ACE, with a report due back to the Governing Board within six months. Finally, Hawkey reviewed the Ad Hoc committee schedule and planned activities over the coming months.

C. Jeffers reiterated his concerns about PERS liability. He discussed the case of LAWORKS, a JPA consisting of four SGV cities. LAWORKS lost its grant funding and was forced to dissolve, leaving unfunded PERS commitments. S. Gonzalez suggested establishing a trust fund to address the potentiality of future PERS liabilities. M. Alexander asked whether a dollar amount cap might be placed on ACE projects as a means of protecting the COG and member cities.

12. Los Angeles Community Choice Energy (LACCE) Joint Powers Authority (JPA)

13. Transportation Planner/ Program Manager Job Description

See notes for Item 11.

14. Measure M Policy Guidance

P. Hawkey asked members to review the recommended Measure M guidance listed in the agenda packet.

15. Preliminary FY 2017-18 Budget

P. Hawkey reviewed the changes to the budget, an increase of approximately $300,000 from FY 2016-2017, mostly related to the hiring of a Transportation Planner/Program Manager.

UPDATE ITEMS

16. ACE Construction Authority – Oral Report

There was no update on this item.

17. Executive Director's Monthly Report – Oral Report

There was no update on this item.

COMMITTEE MEMBER ITEMS

ANNOUNCEMENTS

M. Alexander distributed flyers announcing the City Manager's Association meeting on March 15th.

ADJOURN

The meeting adjourned at 1:36 P.M.

REPORT

DATE: April 10, 2017

TO: City Managers' Steering Committee

FROM: Phil Hawkey, Executive Director

RE: AB 346 (DALY)

RECOMMENDED ACTION

Recommend Governing Board adopt a Resolution supporting AB 346 (Daly).

BACKGROUND

Existing law dissolved redevelopment agencies and community development agencies as of February 2012 and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies, make payments due for enforceable obligations, and perform duties required by any enforceable obligation. This bill would authorize a housing successor to use funds remaining in the Low and Moderate Income Housing Asset Fund for homelessness services, transitional housing, or emergency housing services, as well as for the development of affordable housing (Attachment A).

At a time when California cities have fewer economic development opportunities, this bill will allow an additional funding source from their Low and Moderate Income Housing Fund (LMIHF). Cities are hampered by LMIHF use restrictions leaving cities with unused or unusable funds. Currently, there is not enough flexibility to use LMIHF funds in ways to help residents who are homeless or in need of housing services associated with affordable housing. AB 346 would help to bridge this disparity by expanding the current cap on the narrow use for LMIHF homeless response dollars and provide cities with the flexibility to use their funds.

The Association of California Cities - Orange County has sponsored this bill in response to the challenges faced by cities across the state related to housing needs, and services for homeless individuals.

The SGVCOG Homelessness Committee recommended adopting a position of support for this bill at their March 2017 meeting.

Prepared by: _____
Christian Cruz
Management Analyst

Approved by: _____
Marisa Creter
Assistant Executive Director

ATTACHMENTS

Attachment A – AB 346 (Daly)

ASSEMBLY BILL No. 346

Introduced by Assembly Members Daly and Brough

February 8, 2017

An act to amend Section 34176.1 of the Health and Safety Code, relating to local government.

LEGISLATIVE COUNSEL'S DIGEST

AB 346, as introduced, Daly. Redevelopment: housing successor: Low and Moderate Income Housing Asset Fund.

Existing law dissolved redevelopment agencies and community development agencies as of February 1, 2012, and provides for the designation of successor agencies to wind down the affairs of the dissolved redevelopment agencies and to, among other things, make payments due for enforceable obligations and to perform duties required by any enforceable obligation.

Existing law authorizes the city, county, or city and county that created a former redevelopment agency to elect to retain the housing assets and functions previously performed by the former redevelopment agency. Existing law requires the housing successor to maintain any funds transferred to it, together with any funds generated from housing assets in a separate Low and Moderate Income Housing Asset Fund to be used in accordance with applicable housing-related provisions of the Community Redevelopment Law, except as specified. Existing law requires the housing successor to expend funds received from the successor agency to meet its enforceable obligations, and for specified administrative and monitoring costs relating to ensuring the long-term affordability of units subject to affordability restrictions. The housing successor may expend a specified amount per fiscal year for homeless

prevention and rapid rehousing services, and must use all funds remaining thereafter for the development of affordable housing, as specified.

This bill would authorize a housing successor to also use funds remaining in the Low and Moderate Income Housing Asset Fund for homelessness services, transitional housing, or emergency housing services, as well as for the development of affordable housing.

This bill would also make nonsubstantive changes to that provision.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 34176.1 of the Health and Safety Code
2 is amended to read:
3 34176.1. Funds in the Low and Moderate Income Housing
4 Asset Fund described in subdivision (d) of Section 34176 shall be
5 subject to the provisions of the Community Redevelopment Law
6 (Part 1 (commencing with Section 33000)) relating to the Low and
7 Moderate Income Housing Fund, except as follows:
8 (a) Subdivision (d) of Section 33334.3 and subdivision (a) of
9 Section 33334.4 shall not apply. Instead, funds received from the
10 successor agency for items listed on the Recognized Obligation
11 Payment Schedule shall be expended to meet the enforceable
12 obligations, and the housing successor shall expend all other funds
13 in the Low and Moderate Income Housing Asset Fund as follows:
14 (1) For the purpose of monitoring and preserving the long-term
15 affordability of units subject to affordability restrictions or
16 covenants entered into by the redevelopment agency or the housing
17 successor and for the purpose of administering the activities
18 described in paragraphs (2) and (3), a housing successor may
19 expend per fiscal year up to an amount equal to 5 percent of the
20 statutory value of real property owned by the housing successor
21 and of loans and grants receivable, including real property and
22 loans and grants transferred to the housing successor pursuant to
23 Section 34176 and real property purchased and loans and grants
24 made by the housing successor. If this amount is less than two
25 hundred thousand dollars ($200,000) for any given fiscal year, the
26 housing successor may expend up to two hundred thousand dollars
27 ($200,000) in that fiscal year for these purposes. The Department

of Housing and Community Development shall annually publish on its Internet Web site an adjustment to this amount to reflect any change in the Consumer Price Index for All Urban Consumers published by the ~~federal~~ *United States* Department of Labor for the preceding calendar year. For purposes of this paragraph, "statutory value of real property" means the value of properties formerly held by the former redevelopment agency as listed on the housing asset transfer form approved by the department pursuant to paragraph (2) of subdivision (a) of Section 34176, the value of the properties transferred to the housing successor pursuant to subdivision (f) of Section 34181, and the purchase price of properties purchased by the housing successor.

(2) Notwithstanding Section 33334.2, if the housing successor has fulfilled all obligations pursuant to Sections 33413 and 33418, the housing successor may expend up to two hundred fifty thousand dollars ($250,000) per fiscal year for homeless prevention and rapid rehousing services for individuals and families who are homeless or would be homeless but for this assistance, including the provision of short-term or medium-term rental assistance, housing relocation and stabilization services including housing search, mediation, or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance, and case management, or other appropriate activities for homelessness prevention and rapid rehousing of persons who have become homeless.

(3) ~~(A)~~ The housing successor shall expend all funds remaining in the Low and Moderate Income Housing Asset Fund after the expenditures allowed pursuant to paragraphs (1) and (2) for ~~the development of~~ *the development of one of the following purposes set out in subparagraph (A) or (B) below:*

(A) Notwithstanding Section 33334.2, the development of homelessness services, transitional housing, or emergency housing services.

(B) (i) The development of housing affordable to and occupied by households earning 80 percent or less of the area median income, with at least 30 percent of these remaining funds expended for the development of rental housing affordable to and occupied by households earning 30 percent or less of the area median income and no more than 20 percent of these remaining funds expended

for the development of housing affordable to and occupied by households earning between 60 percent and 80 percent of the area median income. A housing successor shall demonstrate in the annual report described in subdivision (f), for 2019, and every five years thereafter, that the housing successor's expenditures from January 1, 2014, through the end of the latest fiscal year covered in the report comply with the requirements of this subparagraph.

~~(B)~~

(ii) If the housing successor fails to comply with the extremely low income requirement in any five-year report, then the housing successor shall ensure that at least 50 percent of these remaining funds expended in each fiscal year following the latest fiscal year following the report are expended for the development of rental housing affordable to, and occupied by, households earning 30 percent or less of the area median income until the housing successor demonstrates compliance with the extremely low income requirement in an annual report described in subdivision (f).

~~(C)~~

(iii) If the housing successor exceeds the expenditure limit for households earning between 60 percent and 80 percent of the area median income in any five-year report, the housing successor shall not expend any of the remaining funds for households earning between 60 percent and 80 percent of the area median income until the housing successor demonstrates compliance with this limit in an annual report described in subdivision (f).

~~(D)~~

(C) For purposes of this subdivision, "development" means new construction, acquisition and rehabilitation, substantial rehabilitation as defined in Section 33413, the acquisition of long-term affordability covenants on multifamily units as described in Section 33413, or the preservation of an assisted housing development that is eligible for prepayment or termination or for which within the expiration of rental restrictions is scheduled to occur within five years as those terms are defined in Section 65863.10 of the Government Code. Units described in this subparagraph may be counted towards any outstanding obligations pursuant to Section 33413, provided that the units meet the requirements of that section and are counted as provided in that section.

(b) Subdivision (b) of Section 33334.4 shall not apply. Instead, if the aggregate number of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years exceeds 50 percent of the aggregate number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period, then the housing successor shall not expend these funds to assist additional senior housing units until the housing successor or its host jurisdiction assists, and construction has commenced, a number of units available to all persons, regardless of age, that is equal to 50 percent of the aggregate number of units of deed-restricted rental housing units assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the time period described above.

(c) (1) Program income a housing successor receives shall not be associated with a project area and, notwithstanding subdivision (g) of Section 33334.2, may be expended anywhere within the jurisdiction of the housing successor or transferred pursuant to paragraph (2) without a finding of benefit to a project area. For purposes of this paragraph, "program income" means the sources described in paragraphs (3), (4), and (5) of subdivision (e) of Section 34176 and interest earned on deposits in the account.

(2) Two or more housing successors within a county, within a single metropolitan statistical area, within 15 miles of each other, or that are in contiguous jurisdictions may enter into an agreement to transfer funds among their respective Low and Moderate Income Housing Asset Funds for the sole purpose of developing transit priority projects as defined in subdivisions (a) and (b) of Section 21155 of the Public Resources Code, permanent supportive housing as defined in paragraph (2) of subdivision (b) of Section 50675.14, housing for agricultural employees as defined in subdivision (g) of Section 50517.5, or special needs housing as defined in federal or state law or regulation if all of the following conditions are met:

(A) Each participating housing successor has made a finding based on substantial evidence, after a public hearing, that the agreement to transfer funds will not cause or exacerbate racial, ethnic, or economic segregation.

(B) The development to be funded shall not be located in a census tract where more than 50 percent of its population is very low income, unless the development is within one-half mile of a major transit stop or high-quality transit corridor as defined in paragraph (3) of subdivision (b) of Section 21155 of the Public Resources Code.

(C) The completed development shall not result in a reduction in the number of housing units or a reduction in the affordability of housing units on the site where the development is to be built.

(D) A transferring housing successor shall not have any outstanding obligations pursuant to Section 33413.

(E) No housing successor may transfer more than one million dollars ($1,000,000) per fiscal year.

(F) The jurisdictions of the transferring and receiving housing successors each have an adopted housing element that the Department of Housing and Community Development has found pursuant to Section 65585 of the Government Code to be in substantial compliance with the requirements of Article 10.6 (commencing with Section 65580) of Chapter 3 of Division 1 of Title 7 of the Government Code and have submitted to the Department of Housing and Community Development the annual progress report required by Section 65400 of the Government Code within the preceding 12 months.

(G) Transferred funds shall only assist rental units affordable to, and occupied by, households earning 60 percent or less of the area median income.

(H) Transferred funds not encumbered within two years shall be transferred to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker Housing Grant Program.

(d) Sections 33334.10 and 33334.12 shall not apply. Instead, if a housing successor has an excess surplus, the housing successor shall encumber the excess surplus for the purposes described in paragraph (3) of subdivision (a) or transfer the funds pursuant to paragraph (2) of subdivision (c) within three fiscal years. If the housing successor fails to comply with this subdivision, the housing successor, within 90 days of the end of the third fiscal year, shall transfer any excess surplus to the Department of Housing and Community Development for expenditure pursuant to the Multifamily Housing Program or the Joe Serna, Jr. Farmworker

Housing Grant Program. For purposes of this subdivision, "excess surplus" shall mean an unencumbered amount in the account that exceeds the greater of one million dollars ($1,000,000) or the aggregate amount deposited into the account during the housing successor's preceding four fiscal years, whichever is greater.

(e) Section 33334.16 shall not apply to interests in real property acquired on or after February 1, 2012. With respect to interests in real property acquired by the former redevelopment agency ~~prior to~~ *before* February 1, 2012, the time periods described in Section 33334.16 shall be deemed to have commenced on the date that the department approved the property as a housing asset.

(f) Section 33080.1 of this code and Section 12463.3 of the Government Code shall not apply. Instead, the housing successor shall conduct, and shall provide to its governing body, an independent financial audit of the Low and Moderate Income Housing Asset Fund within six months after the end of each fiscal year, which may be included in the independent financial audit of the host jurisdiction. If the housing successor is a city or county, it shall also include in its report pursuant to Section 65400 of the Government Code and post on its Internet Web site all of the following information for the previous fiscal year. If the housing successor is not a city or county, it shall also provide to its governing body and post on its Internet Web site all of the following information for the previous fiscal year:

(1) The amount the city, county, or city and county received pursuant to subparagraph (A) of paragraph (3) of subdivision (b) of Section 34191.4.

(2) The amount deposited to the Low and Moderate Income Housing Asset Fund, distinguishing between amounts deposited pursuant to subparagraphs (B) and (C) of paragraph (3) of subdivision (b) of Section 34191.4, amounts deposited for other items listed on the Recognized Obligation Payment Schedule, and other amounts deposited.

(3) A statement of the balance in the fund as of the close of the fiscal year, distinguishing any amounts held for items listed on the Recognized Obligation Payment Schedule from other amounts.

(4) A description of expenditures from the fund by category, including, but not limited to, expenditures ~~(A) for monitoring~~ *for the following:*

(A) Monitoring and preserving the long-term affordability of units subject to affordability restrictions or covenants entered into by the redevelopment agency or the housing successor and administering the activities described in paragraphs (2) and (3) of ~~subdivision (a), (B) for homeless prevention~~ *subdivision (a).*

(B) Homeless prevention and rapid rehousing services for the development of housing described in paragraph (2) of subdivision ~~(a), and (C) for the development~~ *(a).*

(C) The development of housing pursuant to paragraph (3) of subdivision (a).

(5) As described in paragraph (1) of subdivision (a), the statutory value of real property owned by the housing successor, the value of loans and grants receivable, and the sum of these two amounts.

(6) A description of any transfers made pursuant to paragraph (2) of subdivision (c) in the previous fiscal year and, if still unencumbered, in earlier fiscal years and a description of and status update on any project for which transferred funds have been or will be expended if that project has not yet been placed in service.

(7) A description of any project ~~for which~~ *that* the housing successor receives or holds property tax revenue pursuant to the Recognized Obligation Payment Schedule and the status of that project.

(8) For interests in real property acquired by the former redevelopment agency ~~prior to~~ *before* February 1, 2012, a status update on compliance with Section 33334.16. For interests in real property acquired on or after February 1, 2012, a status update on the project.

(9) A description of any outstanding obligations pursuant to Section 33413 that remained to transfer to the housing successor on February 1, 2012, of the housing successor's progress in meeting those obligations, and of the housing successor's plans to meet unmet obligations. In addition, the housing successor shall include in the report posted on its Internet Web site the implementation plans of the former redevelopment agency.

(10) The information required by *clause (ii) of* subparagraph (B) of paragraph (3) of subdivision (a).

(11) The percentage of units of deed-restricted rental housing restricted to seniors and assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the previous 10 years in relation to the aggregate

number of units of deed-restricted rental housing assisted individually or jointly by the housing successor, its former redevelopment agency, and its host jurisdiction within the same time period.

(12) The amount of any excess surplus, the amount of time that the successor agency has had excess surplus, and the housing successor's plan for eliminating the excess surplus.

(13) An inventory of homeownership units assisted by the former redevelopment agency or the housing successor that are subject to covenants or restrictions or to an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund pursuant to subdivision (f) of Section 33334.3. This inventory shall include all of the following information:

(A) The number of those units.

(B) In the first report pursuant to this subdivision, the number of units lost to the portfolio after February 1, 2012, and the reason or reasons for those losses. For all subsequent reports, the number of the units lost to the portfolio in the last fiscal year and the reason for those losses.

(C) Any funds returned to the housing successor as part of an adopted program that protects the former redevelopment agency's investment of moneys from the Low and Moderate Income Housing Fund.

(D) Whether the housing successor has contracted with any outside entity for the management of the units and, if so, the identity of the entity.

O

From:	Shane Chapman
To:	"dlazzaretto@ci.arcadia.ca.us"; "jmakshanoff@ci.azusa.ca.us"; "syauchzee@baldwinpark.com"; "citymanager@cityofbradbury.org"; "admin@cityofindustry.org"; "citymanager@covinaca.gov"; "georged@accessduarte.com"; "citymanager@elmonteca.gov"; "city_manager@ci.glendora.ca.us"; "lsnyder@ci.irwindale.ca.us"; "dcarmany@lapuente.org"; "ochi@ci.monrovia.ca.us"; "Spreston@sgch.org"; "jvasquez@soelmonte.org"; "cmoffice@ci.south-pasadena.ca.us"; "bcook@templecity.us"; "chris.freeland@westcovina.org"; "Bill R. Manis (bmanis@cityofrosemead.org)"
Cc:	Patty Cortez
Subject:	San Diego County Water Authority Public Relations Campaign
Date:	Monday, March 20, 2017 3:09:19 PM
Attachments:	image001.png Attachment 1.pdf Attachment 2.pdf

City Managers,

The San Diego County Water Authority (SDCWA) recently sent letters to city managers and council members throughout southern California regarding their positions on Metropolitan Water District's (Metropolitan) turf removal rebate program, financial management, water rates and governance.

Upper District takes its responsibility to carefully monitor Metropolitan's operations, programs, policies and effectiveness very seriously. We regularly participate in all the committee and board meetings through our representative to Metropolitan's board, Upper District Director Charles Trevino. We also regularly interact with Metropolitan's staff and executive management. We strive to reach consensus with the other member agencies on difficult decisions and policies that ensure a high quality, reliable water supply for the San Gabriel Valley and all southern California.

Voters in Upper District's service area elected to join Metropolitan in 1963. The purpose was to work together with communities throughout southern California to collectively share the risks, costs and benefits of large infrastructure projects like the Colorado River Aqueduct and State Water Project. That relationship has flourished and has led to: an imported water system with a total net position of $6.68 billion capable of storing 5.5 million acre-feet of water; robust water conservation programs and financial support for aggressive local resources development including treatment of contaminated groundwater and the development of recycled water projects and seawater desalination.

Metropolitan's conservation rebates program, including the turf removal program, has been a tremendous success. Since 1990 Metropolitan has invested over $800 million in water conservation rebates, helping to reduce water use from 200 gallons per person per day to 131 gallons per person per day. The turf removal program alone contributed to the removal of more than 160 million square feet of turf saving about 7.5 billion gallons annually. Upper District closely followed the audit of the turf rebate program and the issues with measurement of areas where turf was removed and need for improved management controls were addressed by Metropolitan. During the last five years of extreme drought, residents in Upper District's service area received over $6.8 million in water conservation rebates provided by Metropolitan through the socalwatersmart.com website. These incentives contributed to reducing groundwater production from about 240,000 acre-feet in 2011/12 to about 183,000 acre-feet in 2015/16 (a 24% reduction). The tremendous response to the call for water conservation by our residents, led to groundwater levels being more than 10 feet higher than they would have been without the conservation savings achieved during the drought.

Effective financial management of ratepayer dollars by Metropolitan is a paramount focus for Upper District. Stable and predictable water rates, a strong balance sheet that can shield member agency and municipal budgets from the inherent risks of the imported water supply system and strong credit ratings are always in the forefront. Metropolitan's total net position continues to improve, increasing by $978.3 million (entirely in net investment in capital assets) since 2006/07. This includes: replacement of ageing infrastructure; earthquake retrofits; a more robust treated water disinfection process and significant investments in water supply reliability. Net total outstanding debt remains well within Metropolitan's capacity and has only increased by $50 million since 2006/07, from $4.57 billion to $4.62 billion. Restricted and unrestricted assets (cash and investments) are down by $102 million since 2006/07. Over $697 million in reserves were used in the last three years to address the extreme drought conditions including: aggressively increasing the water conservation rebates program; significant purchases of water; and withdrawing water from groundwater storage accounts. This was done without causing unexpected increases in water rates.

SDCWA's recent letters stem from their position that Metropolitan's water rates are unfair and illegal. In an earlier lawsuit brought by SDCWA regarding Metropolitan's rates and charges, Metropolitan appealed and prevailed. In a second lawsuit, SDCWA prevailed at the trial court level. Metropolitan has appealed the trial court's decision. Upper District and eight other member agencies have joined Metropolitan's defense of its rate structure. Additional lawsuits brought by SDCWA are currently stayed pending the outcome of the lawsuit that is before the appeals court. Metropolitan's legal fees defending the second lawsuit alone exceed $22 million. Metropolitan has set aside about $279 million in disputed payments made by SDCWA to Metropolitan.

A summary of the current lawsuits brought by SDCWA against Metropolitan starts on page 53 of Appendix A of Metropolitan's Official Statement for issuance of bonds. Basically, for the water supply SDCWA purchases from the Imperial Irrigation District (IID), SDCWA does not want to pay for the State Water Project costs associated with conveying water to southern California. The imported water system operates as an integrated system and SDCWA receives a blend of State Water Project and Colorado River Aqueduct supplies. In exchange, SDCWA turns over the water it purchased from IID to Metropolitan. In fact, due to the abundance of water supply available on the State Water Project this year, SDCWA will receive mostly water from the State Water Project. Most Colorado River supplies will be stored in Lake Mead or groundwater storage accounts. SDCWA also does not want to pay for local resources development and water conservation programs funded by Metropolitan that make the imported water system more reliable. If SDCWA prevails, it will cost San Gabriel Valley ratepayers an additional $0.6 million to $1.2 million per year, depending on the amount of imported water purchased, to supplement our groundwater supplies.

Responses to SDCWA's letters from Metropolitan's Chairman (attachment 1) and examples of SDCWA's letters (attachment 2) are included.

Metropolitan's report on local resources development, budget and rates; comprehensive annual financial report, rating agency reports, and detailed annual report are all easily accessible on Metropolitan's website. For a view into the future of southern California's water supply take a look at Metropolitan's Integrated Resources Plan, Water Tomorrow.

I am available to meet with you or your city council to address the issues raised by SDCWA. Please don't hesitate to call or send me a note if you have any questions.

Shane Chapman
General Manager
Upper San Gabriel Valley MWD
P: 626-443-2297
www.upperdistrict.org

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

January 20, 2017

Mark Muir, Chairman
Jim Madaffer, Vice Chair
San Diego County Water Authority
4677 Overland Avenue
San Diego, California 92123

Dear Chair Muir and Vice Chair Madaffer:

Metropolitan is in receipt of your recent letter sent to a number of cities and retail agencies throughout Metropolitan's service area criticizing Metropolitan's regional conservation program and recent effort focused on turf removal.

As part of the Southern California water community, I assume you are aware of Metropolitan's and all Southern Californian water agencies' incredible track record on conservation and demand management over the past 25 years. We began making important conservation improvements in the 1990s with the largest toilet replacement program in the nation. This was followed with a shower head replacement program and development of rebate programs to incentivize the widespread adoption and retrofitting of water saving devices. Metropolitan also worked closely with trade associations, businesses, and federal agencies in developing industry criteria for water savings. Metropolitan further sponsored and supported state legislation spurring development of water saving performance criteria that lock in savings on new devices generating code-based water savings without financial subsidies. Recently, Metropolitan sponsored the landmark "20%x2020" legislation which passed in 2009 that is driving statewide demand reduction.

This systematic and comprehensive approach to conservation has proven very successful generating a marked reduction in per capita household water use throughout Southern California. Thanks to this approach, Southern California has significantly reduced its reliance on imported water from 1990 while adding more than 5 million people to our service area. All of Southern California should rightfully be proud of these accomplishments.

This past decade in California has been extremely dry with two Governor-declared water emergencies. The drought's darkest period was 2013-2015, which shattered a number of records for highest recorded temperatures, lowest snow pack, least precipitation and runoff, and smallest State Water Project allocation - amongst other dubious distinctions. Governor Jerry Brown took action declaring an emergency coupled with an executive order that called for a mandatory reduction in all retail water use by 25% and established a statewide goal of removing 50 million square feet of turf.

Metropolitan's Board demonstrated leadership by responding to this challenge with bold and aggressive action. Over the two-year period of 2014-2016, Metropolitan's Board approved an unprecedented campaign of demand management actions that budgeted $450 million for public outreach, and rebates for water saving devices and turf removal.

700 N. Alameda Street, Los Angeles, California 90012 • Mailing Address: Box 54153, Los Angeles, California 90054-0153 • Telephone (213) 217-6000

And the public responded. Applications for turf removal rebates soared from 3,600 in a six month period in 2014 to almost 50,000 over the same period in 2015. Interest in device rebates likewise soared with requests for efficient toilets jumping from 14,000 to more than 65,000 in the same time frame. Southern California built on its 25-year track record of conservation and met the Governor's conservation goal. Metropolitan more than tripled the Governor's statewide goal for turf removal and removed more than 160 million square feet of turf throughout our service area.

Responding to California's challenging drought, Metropolitan's historic investment in conservation will be remembered as the strategic moment when Southern California's landscape transformed from lawns. Governor Jerry Brown personally met with Metropolitan's Board to thank Metropolitan for its statewide leadership on conservation.

Your letter attempts to twist this strategic and historic investment into "reckless" and "out of control" spending. Turf rebates generate water savings over the life of the program at approximately $600 per acre-foot, as has been reported to Metropolitan's Board. Yet, your letter only refers to a single year of savings to falsely come up with a $30,000 per acre-foot figure. You mischaracterize Metropolitan's internal auditor's report as "scathing" when it actually finds less than a 2% variance between square footage removed and square footage reported, better than industry averages for turf removal programs.

Most hypocritically, you fail to mention that SDCWA's website throughout this period steered San Diegans to Metropolitan's turf removal rebate program and lauded the benefits of water smart landscaping. City of San Diego Councilmembers Alvarez and Cate wrote in support of Metropolitan's program. When Metropolitan's Board was making this investment, City of San Diego Mayor Faulconer was announcing the doubling of the City's own turf replacement budget. In all, San Diego County received approximately 23% of Metropolitan's rebates over this period. Numerous San Diego golf courses, homeowners associations, schools, and businesses, such as San Diego Gas & Electric, received turf removal rebates and expressed their support and appreciation.

Despite the continued efforts of SDCWA to criticize virtually every action by Metropolitan, I am pleased that the overwhelming majority of the Metropolitan Board remains steadfast in support of a balanced approach to fund conservation, local resource development and reinvestment in our imported water supply systems. And I am very pleased that many San Diego area businesses and residents embraced our conservation effort and lowered their water use.

We lead best when we lead by example. I want to thank the forward looking people in the San Diego area for recognizing the importance of conservation and taking action. I only hope that someday the SDCWA will also demonstrate a similar spirit of regional cooperation and leadership.

Sincerely,

Randy Record
Chairman of the Board

700 N. Alameda Street, Los Angeles, California 90012 • Mailing Address: Box 54153, Los Angeles, California 90054-0153 • Telephone (213) 217-6000

cc: Metropolitan Board of Directors
Metropolitan Member Agency Managers
San Diego County Water Authority Board of Directors

700 N. Alameda Street, Los Angeles, California 90012 • Mailing Address: Box 54153, Los Angeles, California 90054-0153 • Telephone (213) 217-6000

THE METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

Office of the Board of Directors

March 10, 2017

Mark Muir, Chairman
Jim Madaffer, Vice Chair
San Diego County Water Authority
4677 Overland Avenue
San Diego, California 92123

Dear Chair Muir and Vice Chair Madaffer:

The Metropolitan Water District of Southern California (Metropolitan) is in receipt of your February 28 letter sent to local elected officials throughout Metropolitan's service area criticizing our governance and fiscal decisions.

Before entering the recent historic drought, Metropolitan, as is our custom, set rates after an exhaustive study that was designed to recover anticipated costs. As the historic drought unfolded, Member Agencies began to request far more water than forecast. Our ability to meet this demand avoided tremendous economic hardship in San Diego and the entire Southland region.

Two significant investment opportunities arose in recent years, and Metropolitan's Board of Directors decided to take bold actions. We purchased valuable land assets in the Palo Verde Valley (which your agency unanimously supported) to support the reliability of our water supplies from the Colorado River. We purchased land in the heart of the Sacramento-San Joaquin Delta which is an important investment for multiple potential values consistent with the co-equal goals of a restored Delta and a reliable water supply from the State Water Project. In 2015 we responded to Governor Brown's emergency drought declaration by investing to transform Southern California landscapes to permanently lower outdoor water demand. The decline in demand that Metropolitan (and your agency, to a greater extent) has experienced is a good thing and part of a much broader conservation trend that bodes promise for all of us to withstand dry cycles and maintain adequate reserves in storage.

As we await the outcome of the litigation over Metropolitan's rate structure at the appellate court, Metropolitan has set aside disputed payments pursuant to our Exchange Agreement. Metropolitan used cash from its funds to purchase the Palo Verde and Delta properties. While the acquisitions resulted in Metropolitan issuing additional bonds, our per-capita debt ratio is 60 percent lower than your own agency. It is among the reasons why Metropolitan maintains some of the highest credit ratings of any government agency in California.

Thanks to the return of rains in California, we are now in the midst of storing more water this year than perhaps any year in our history. Our liquid reserves are being replenished at a financial value in the hundreds of millions of dollars, benefitting all of us. The investments our Board has made over the decades to advance a reliable water system for Southern California is paying dividends now and will continue in the decades to come. Attempts to contort this track record into a negative light are not succeeding. Our reliability and low water rates (50 percent lower than those of your agency) speak for themselves.

Sincerely,

Randy Record
Chairman of the Board

Attachment

cc: Metropolitan Board of Directors
Metropolitan Member Agency Managers
San Diego County Water Authority Board of Directors
Maureen Stapleton, General Manager, San Diego County Water Authority
Melinda Cogle, Clerk of the Board, San Diego County Water Authority

San Diego County Water Authority
4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

January 11, 2017

Mark Alexander, City Manager
City of La Canada Flintridge
1327 Foothill Blvd.
La Canada, CA 91011

Dear Mr. Alexander:

What would you do if you found out your city spent $30,000 to conserve one acre-foot of water when the going rate was $594 per acre-foot? If your city buys water from the giant Metropolitan Water District of Southern California, that's exactly what your city's water ratepayers were charged. (An acre-foot is about 326,000 gallons – enough water to meet the annual water needs of two families of four.)

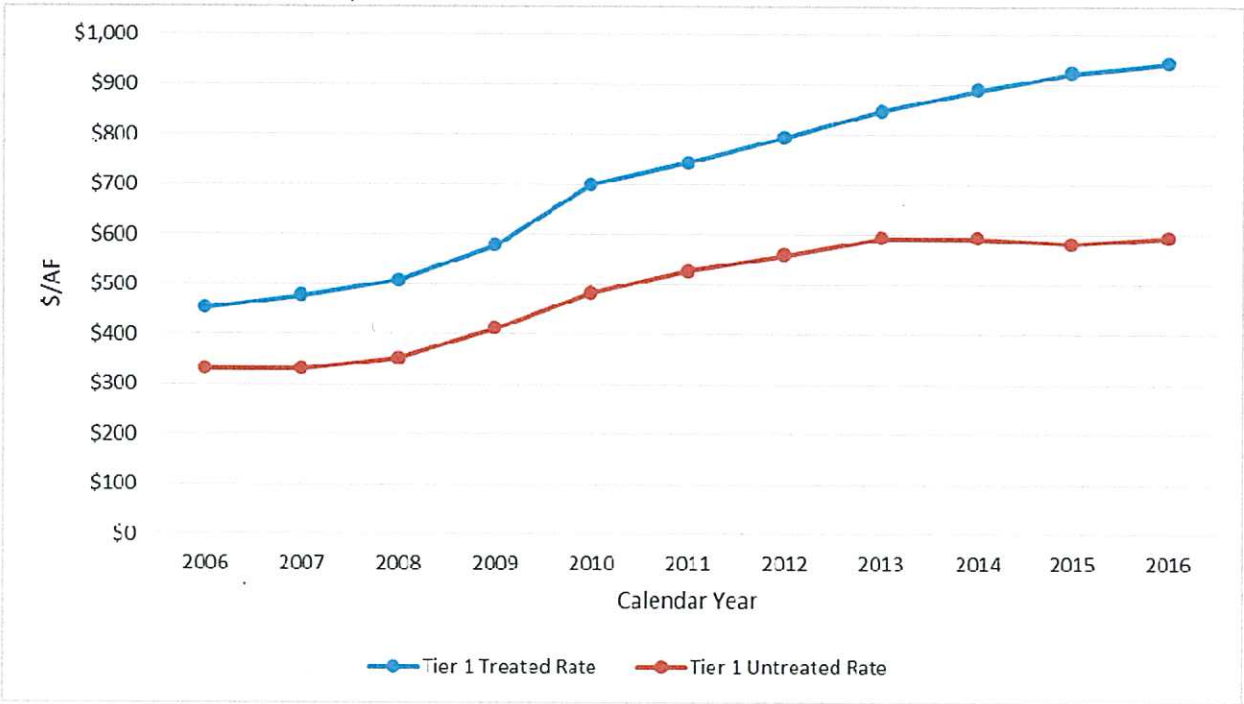
Last year, the Metropolitan Water District of Southern California hastily launched a turf removal rebate program that quickly spun out of control, in which the agency spent $239 million in water ratepayer money to conserve approximately 8,000 acre-feet of water. That works out to nearly $30,000 per acre-foot of water conserved by the program. Assuming those conservation savings will actually be repeated every year for the next 10 years (and there is no assurance it will), that makes MWD's turf removal rebate program among the most expensive water supply programs in its history – all paid for by our water ratepayers.

It's no surprise to learn that MWD's reckless spending on turf removal received a scathing review by the agency's own internal auditor (http://www.mwdfacts.com/wp-content/uploads/2016/12/Turf_Audit.pdf). Enclosed is the *Los Angeles Times* story (http://www.latimes.com/local/lanow/la-me-water-turf-rebate-program-audit-20161209-story.html) reporting on the mismanagement, poor planning and inadequate oversight of the turf rebate program.

The San Diego County Water Authority – one of MWD's largest member agencies whose ratepayers contribute about 25 percent of MWD's total revenues – has consistently expressed serious concerns about MWD's out-of-control spending practices. For many months, MWD did not even require participants in this turf rebate program to provide any receipts proving they actually spent the money tearing out their turf. Even now, after some safeguards were finally implemented, receipts are only required if the applicant is seeking more than $100,000 in rebates. MWD management defends the turf rebate program by stating the obvious: it was wildly popular. If you stood on a street corner handing out $1,000 bills, that would be popular, too. But popularity does not make a program prudent, fiscally sustainable or good water conservation policy.

MWD's reckless spending has contributed to historic increases in water rates at MWD over the past decade. Since 2006, MWD's treated water rate has more than doubled, with rate increases of 7.6 percent, compounded annually. MWD's untreated water rate has risen nearly as fast, with rate increases of 6.7 percent, compounded annually.

Table 1: MWD Water Rates, 2006-2016



It's long past time to reign in the out-of-control Metropolitan Water District. If you're as concerned as we are with the turf removal program, we encourage you to talk to your retail water district provider. Ask them to explain why their appointed representative on MWD's Board of Directors believes the turf removal program was a good investment of your water ratepayers' dollars and what they are doing to contain costs at MWD and control escalating water rates. You can also learn more about how MWD is spending your ratepayers' money by visiting www.MWDFacts.com. We encourage you to join us in calling for accountability and transparency at MWD. If you have any questions, please contact us at mmuir@sdcwa.org.

Sincerely,

Mark Muir
Chair, Board of Directors
San Diego County Water Authority
Councilmember, City of Encinitas

Jim Madaffer
Vice Chair, Board of Directors
San Diego County Water Authority;
Former San Diego City Councilmember
and Past President of the League of
California Cities

Enclosure

Los Angeles Times

Massive $340-million turf rebate program plagued by poor planning and oversight, audit finds

A crew helps with turf removal and replacement at a Pacific Palisades home. The oversight of a Metropolitan Water District rebate program that was designed to help homeowners reduce their outdoor water use was "less than satisfactory," according to an audit. (Luis Sinco / Los Angeles Times)

Matt Stevens Contact Reporter

December 10, 2016

The Metropolitan Water District's massive $340-million turf rebate program — which helped thousands of Southern Californians rip out their lawns in favor of drought-tolerant landscaping — was plagued by poor planning and oversight by the agency, a new audit found.

The rebate program was a key element of California's drought response, and officials say it helped residents conserve water. But the audit found that the MWD did a "less than satisfactory" job administrating the program due to "inadequate planning, execution, and follow-up."

As a result, MWD auditors concluded that the agency may have overpaid a contractor tasked with inspecting turf replacements, and that the contractor also may have failed to perform some critical inspections it was required to carry out.

The findings represent perhaps the most scrupulous examination of the popular but costly lawn removal program, which was designed to help urban Californians sharply reduce their outdoor water use during the drought.

Residents began flocking to the program after MWD doubled the size of its rebate to $2 per square foot in 2014, and it grew exponentially after MWD poured an additional $350 million into the conservation program a year later.

Some watchdogs have long feared that the size of the program would lead to waste — and possibly fraud — without strong oversight.

During the period that auditors reviewed, MWD received more than 85,000 applications to remove about 270 million square feet of turf. More than 46,000 of those applications were approved for a payout of $239 million.

MWD spokesman Bob Muir estimated that the audit, which was performed at the direction of the agency's board, covered the period from May 2014 to July 2015.

"It was extraordinary what [the program] was able to accomplish," he said. "We were more than satisfied with how the program was managed. We know that we can do better and we need to do better."

Auditors agreed that the program successfully drove water conservation.

But they also criticized MWD on a number of fronts.

A review of turf removal applications processed through Nov. 30, 2015, showed that the contractor, EGIA, was paid for completing aerial measurement testing for 212 applications for projects of a certain size. But only 121 such applications were reported as having been measured, the report found.

Five applications for turf removal of more than 50,000 square feet were not reported as having been inspected by EGIA at all, even though the firm was required under its contract to inspect all projects of that size. The auditors noted that the five applicants were collectively paid $4.4 million.

The auditors cited two cases in which an applicant got paid to remove significantly more turf than the applicant did.

Muir said he did not know if the examples cited by the auditors represented "actual fraud," though he acknowledged that they were "obviously something that needed to be corrected."

The auditors also assailed MWD for failing to "provide detailed instructions" on how the contractor should have checked the applications.

For example, auditors said MWD failed to provide step-by-step instructions on how to measure parcels manually, check customer information and inspect applications that proposed removing more than 50,000 square feet of lawn.

In a letter responding to the report, Deven Upadhyay, an MWD manager, said his team generally agreed with the findings.

Upadhyay wrote that his team has "made changes to the ongoing administration of remaining turf-removal wait-list applications and will incorporate the recommendations into the design of any potential turf removal programs … in the future."

San Diego County Water Authority
4677 Overland Avenue • San Diego, California 92123-1233
(858) 522-6600 FAX (858) 522-6568 www.sdcwa.org

February 28, 2017

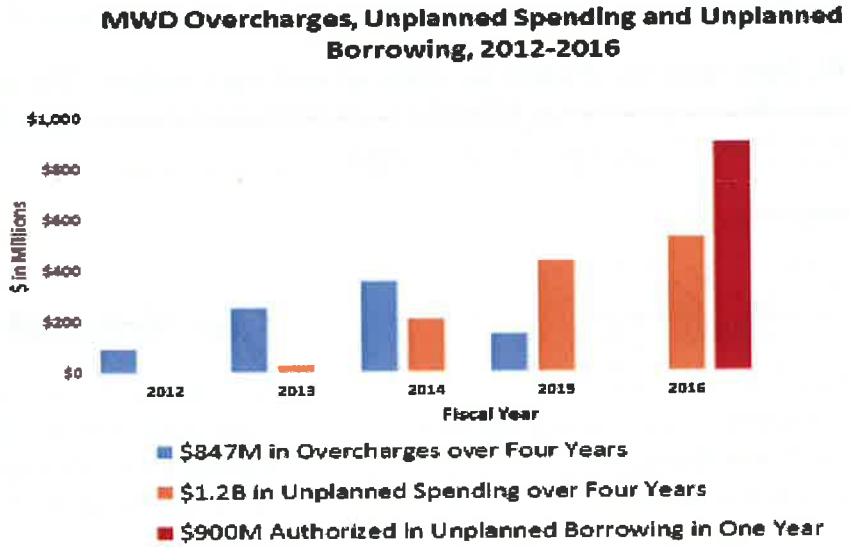
Aaron Adams, City Manager
City of Temecula
P.O. Box 9033
Temecula, CA 92589

Dear Colleague:

When we began writing to you a few weeks ago, we hoped to start a dialogue about fiscal and governance concerns at the Metropolitan Water District of Southern California, and how they are impacting our ratepayers. We're glad to report the conversation is now under way.

In our last letter (Jan. 26, 2017), we commented on MWD's claim that it spent $450 million on conservation and turf removal subsides, **"without impacting water rates."** We showed that MWD overcharged ratepayers by $847 million between 2012 and 2015 (i.e., revenue collected over and above budgeted expenses), thereby amassing a huge amount of money that MWD then spent on turf subsidies and other unbudgeted spending. Operating without a Long Range Finance Plan as it does, MWD's unbudgeted spending totaled almost $1.2 billion over four years. In another move that will have long-term ramifications for all of our ratepayers, MWD also authorized $900 million in new, unplanned debt.

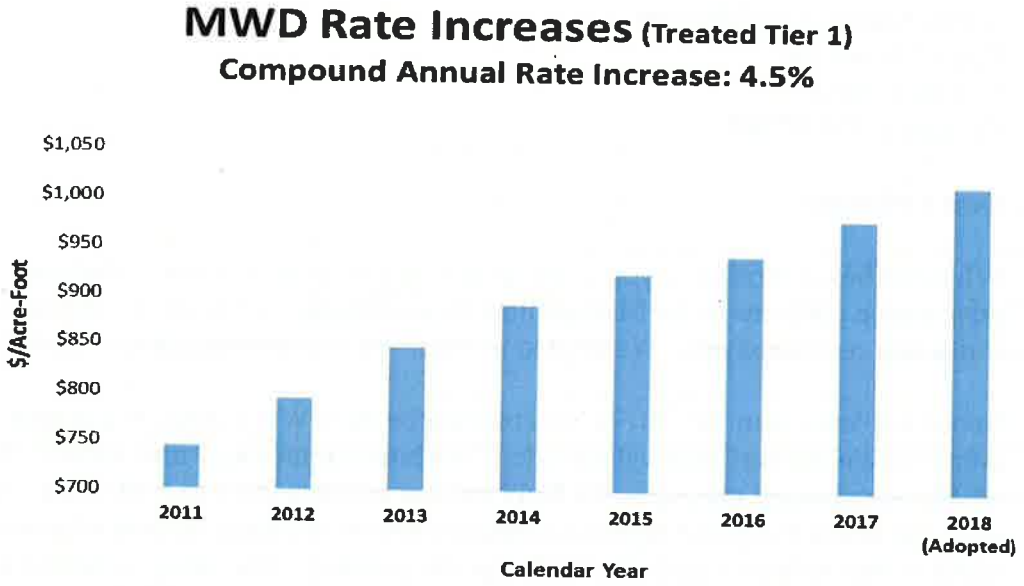
Here's a summary of MWD overcharges, unplanned spending and unplanned borrowing:



The fact that MWD collected $847 million more than it needed means only one thing: *MWD's rates were higher than necessary.* Then, rather than hanging on to this money to avoid more rate increases, MWD chose to spend it -- almost $1.2 billion in unplanned spending. MWD spent so

much money, so fast, that it nearly depleted its cash reserves below its minimum reserve levels. What did MWD do to cover its spending and replenish its cash reserves? It borrowed money: The MWD board authorized $900 million in unplanned debt in less than a year.

As to MWD's claim that it could spend hundreds of millions of dollars **"without impacting water rates,"** below is a chart showing average annual increases of 4.5% in MWD's treated water rate since 2011.[1]



We also encourage you to ask your water district or provider to ask their MWD representative for further details; if any are wrong, we will stand to be corrected. We know from experience how important the planning and budgeting process is to municipal government, and we believe you will agree with us that we need to demand more transparency and fiscal accountability from MWD. We also know how increasing water rates impact our businesses and residences. Given the chart above, it's apparent we should all ask more questions of our water wholesaler.

We have been asked where we come up with our numbers. The answer is: from MWD. For more details, go to www.MWDFacts.com/behind-the-numbers. We look forward to hearing from you. You can reach us at mmuir@sdcwa.org.

Sincerely,

Chair, Board of Directors
San Diego County Water Authority
and Councilmember,
City of Encinitas

Vice-Chair, Board of Directors
San Diego County Water Authority
Former Councilmember, City of San Diego,
and Past President, League of California Cities

[1] Numbers are from MWD's website: http://www.mwdh2o.com/WhoWeAre/Management/Financial-Information/Pages/default.aspx#tab2

SGVCOG

San Gabriel Valley Council of Governments

Proposed Budget – FY 2018

SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS
FISCAL YEAR 2017-18 BUDGET

Officers

President
Cynthia Sternquist

1st Vice President
Margaret Clark

2nd Vice President
Vacant

3rd Vice President
Vacant

Philip A. Hawkey
Executive Director

Marisa Creter
Assistant Executive Director

Eric Wolf
Senior Analyst

Christian Cruz
Management Analyst

Kaitlin Ward
Management Analyst

Stefanie Hernandez
Project Assistant

Carlos Monroy
Accountant/Treasurer

Richard Jones
General Counsel

Alhambra	Arcadia	Azusa	Baldwin Park	Bradbury	Claremont
Covina	Diamond Bar	Duarte	El Monte	Glendora	Industry
Irwindale	La Canada Flintridge	La Puente	La Verne	Monrovia	Montebello
Monterey Park	Pasadena	Pomona	Rosemead	San Dimas	San Gabriel
San Marino	Sierra Madre	South El Monte	South Pasadena	Temple City	Walnut
West Covina	LA County District 1	LA County District 4	LA County District 5	San Gabriel Valley Water Agencies	

Table of Contents

May 18, 2017

Governing Board Delegates and Alternates:

On behalf of the San Gabriel Valley Council of Governments (SGVCOG), it is my pleasure to present a balanced budget for Fiscal Year 2017-18. The budget provides detailed information about anticipated revenues and planned expenditures for the upcoming fiscal year, and demonstrates how available resources are allocated based on the Governing Board's Strategic Plan and objectives, which serve as the guiding principles. The budget was developed using a conservative approach to revenue forecasting and incorporates prudent expenditure adjustments to achieve a balanced operating budget.

Strategic Plan, Mission, Vision & Core Values

On April 21, 2016, the SGVCOG adopted the most recent update to its Strategic Plan. This update was developed through a comprehensive outreach process. The SGVCOG mission, vision and values, which were reaffirmed in October 2013 and were used as the basis for developed the key initiatives and near-term actions, are shown below.

Mission

"The San Gabriel Valley Council of Governments is a unified voice to maximize resources and advocate for regional and member interests to improve the quality of life in the San Gabriel Valley."

Vision

"The San Gabriel Valley Council of Governments will be recognized as a leader in advocating for and achieving sustainable solutions for transportation, housing, economic growth and the environment."

Core Values & Guiding Principles

- *Accountability*
- *Fiscal Responsibility*
- *Mutual Respect*
- *Transparency*
- *Integrity*
- *Being Proactive & Results Oriented*
- *Unity of Common Goals & Objectives*
- *Creativity*
- *Reflecting the Diversity of Our Member Agencies*
- *Collaboration*

Table 1 summarizes the key initiatives for FY 2017-18, including goals and near-term actions.

Water Quality	Active Transportation	Legislative & Regulatory Advocacy
Goal: Assist cities in addressing stormwater MS-4 permit requirements, with an emphasis on securing long-term funding and identifying regional solutions. **Near-Term Actions:** • Draft and advocate for legislation supporting MS4 compliance. • Apply for grants for construction of stormwater capture and infiltration infrastructure. • Complete Stormwater Outreach agenda and continue meeting with stakeholders and policy makers. • Develop stronger coordinated relationships with LA County DPW and LA County Sanitation Districts. • Work to develop approach to new MS4 permit.	**Goal:** Create a regional active transportation network that increases safety for bicyclists and pedestrians and enhances access to transit. **Near-Term Actions:** • Develop a high-level implementation plan for Greenway Network projects based on feasibility study and Measure M guidelines. • Execute 4-cities Open Street event in April 2018. • Coordinate with Goldline Phase 2B cities to develop First/Last Mile plans. • Serve as project manager for SCAG grant funded in FY 2017-18 (e.g. Bike Friendly Business District Pilot Expansion and First/Last Mile Planning).	**Goal:** Advocate for San Gabriel Valley priorities and interests on the County-wide, State and Federal level. **Near-Term Actions:** • After one legislative cycle, report back findings on functionality of Ad Hoc Committee and provide recommendations regarding the formation of a standing committee.

Homelessness	Large Capital Transportation Projects
Goal: Serve as a clearinghouse to member agencies for resources related to homelessness and advocate for resources to address homelessness in the San Gabriel Valley. **Near-Term Actions:** • Engage with the Los Angeles Homeless Services Authority (LAHSA) to better coordinate on regional homeless issues. • Complete master point of contact list and services/programs list. • Identify important legislation at the County, State and Federal Levels that can help combat homelessness in the San Gabriel Valley Region.	**Goal:** Ensure the timely implementation of regional priority transportation projects. **Near-Term Actions:** • Implement Ad Hoc ACE/ Large Capital Projects Committee recommendations, including integration study. • Hire Transportation Planner/Program Manager and develop plan to manage Measure M funds.

Table 1.
FY 2017-18 Key Initiatives.

FY 2016-17 Major Accomplishments

As we look forward to another exciting and successful year, it is important to reflect on the accomplishments of the past year. Some of the major accomplishments completed over the past year include the following:

- Adopted new financial and administrative policies and participated in a Caltrans pre-award audit to remove "high risk designation", which would allow agency to receive State and Federal Transportation funding. That audit was completed in March 2017, and the SGVCOG received no findings and was determined to have addressed all findings from the prior audit.
- In partnership with 10 cities, awarded $798K in funding for 5 projects submitted under SCAG's Sustainability Planning Grant program (i.e. Greenway Network Feasibility Plan; Arrow Highway Demonstration Project; Bike Friendly Business District - El Monte/South El Monte; Bike Friendly Business District - Baldwin Park; and First/Last Mile Planning - El Monte).
- Awarded $594,000 by Metro for Open Street event in partnership with cities of San Dimas, Pomona, La Verne, and Claremont.
- Initiated ATP Cycle 1 Grant to undertake Greenway Network Feasibility Study, which will complete Greenway Network Feasibility Study and Active Transportation Plans for 5 cities (Glendora, Monrovia, La Puente, Irwindale and Montebello), provide educational workshops, and develop a wayfinding/signage coordination plan.
- Coordinated with Metro to initiate Regional Bike Share Expansion Feasibility Study with 15 SGV Cities.
- Launching Bicycle-Friendly Business District Pilot with Glendora and South Pasadena.
- Supported passage of Measure A, which will provide over $92.7M annually for open space and trail projects including the SGV Greenway Network.
- Developed Stormwater Policy and Legislative Platform that was adopted by Governing Board.
- At least five initiatives from the SGVCOG Legislative Platform are set to be introduced in this legislative cycle including the following:
    - AB 1180 (Holden): Creates a new tire fee to address stormwater pollution
    - SB 589 (Hernandez): Adopts Financial Capability Analysis (FCA) as a component of Municipal Separate Sewer Stormwater System (MS4) permits
    - SB 541 (Allen): Addresses school construction water capture design standards
    - SB 633 (Portantino): Clarifies that permittees shall enjoy entitlement to use the stormwater they capture
    - AB 968 (Rubio): Allows use of existing infrastructure to convey stormwater for capture and infiltration
- Ad Hoc Legislative Committee and committee structure approved by Governing Board in January 2017.
- Homelessness Committee formed in July 2017.
- Homelessness Policy and Committee workplan approved by Governing Board in January 2017.
- Supported Measure H which will provide over $355M annually over the next 10 years for homeless services.
- Supported passage of Measure M, which will provide over $3.3B in funding to San Gabriel Valley over next 40 years.
- Governing Board approved recommendations of Ad Hoc ACE/Large Capital Projects Committee to enlarge the scope of ACE to serve the San Gabriel Valley and integrate ACE and SGVCOG.

- Working with Gateway COG, secured $34 million in funding for the environmental and final project approval phases of the 605/60 improvement project.

Proposed FY 2017-18 Budget

The SGVCOG estimated revenues for the Fiscal Year 2016-17 budget are $1,372,211 proposed expenditures are $1,367,136, resulting in a net balance of $5,075. The narrative provides detailed explanations of the anticipated changes and budgeted figures. Major changes from the current year's budget are as follows:

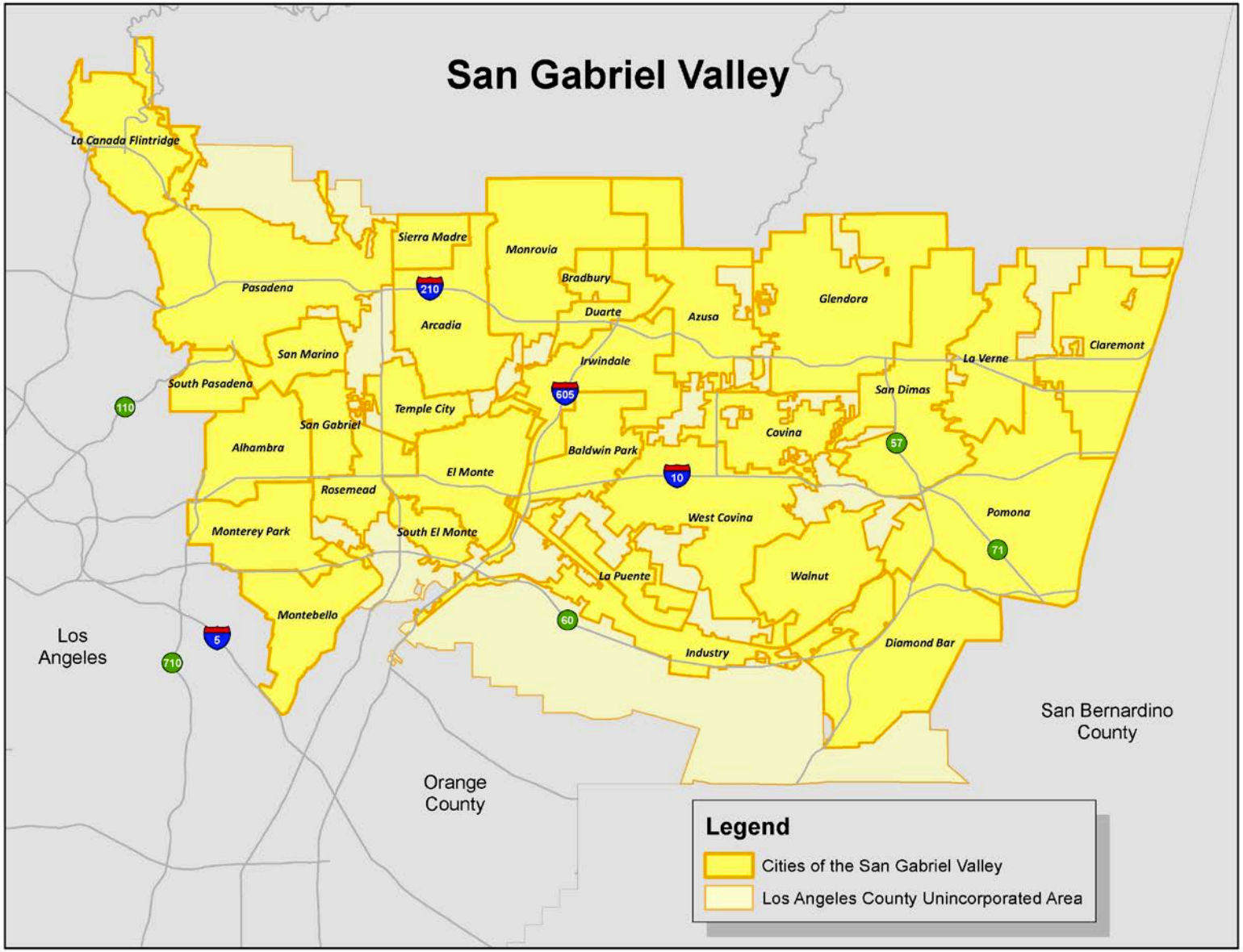
- **Dues:** Per direction from the Governing Board, the FY 2017-18 budget proposes a 2.1% increase to dues based on changes to the consumer price index (CPI).
- **Transportation Planner / Program Manager:** In February 2017, the Governing Board directed staff to begin work to create a transportation planner/program director position to primarily manage Measure M program funds, which will amount to nearly $1.5 billion in various programs directed towards the SGV over the next 40 years. It is anticipated that staff will return to the Governing Board to request approval of a job description and pay range. Simultaneously, staff is working with Metro staff to develop a Memorandum of Understanding (MOU) with Metro to fund this position using Measure M program funds.
- **General Assembly:** Staff is working to plan the SGVCOG's next General Assembly for October 2017. The theme of this year's assembly will be on the regional impact of future trends. Staff is working to secure more sponsorships in order to expand this event.
- **Office Relocation:** The SGVCOG's office lease is set to expire in December 2017. Staff is working to evaluate various options for new office space and the proposed budget includes expenses related to moving costs.

I anticipate this will be an exciting and rewarding year for the SGVCOG. The SGVCOG staff is working closely with you to deliver key projects and initiatives, and we will continue to reach out within our organization and externally to ensure the staff is meeting the Board's expectations and leverage the SGVCOG's resources to preserve and enhance the quality of life in the San Gabriel Valley.

Respectfully submitted,

Philip A. Hawkey
Executive Director

MAP OF THE SAN GABRIEL VALLEY



FY 2017-18 BUDGET
BUDGET OVERVIEW

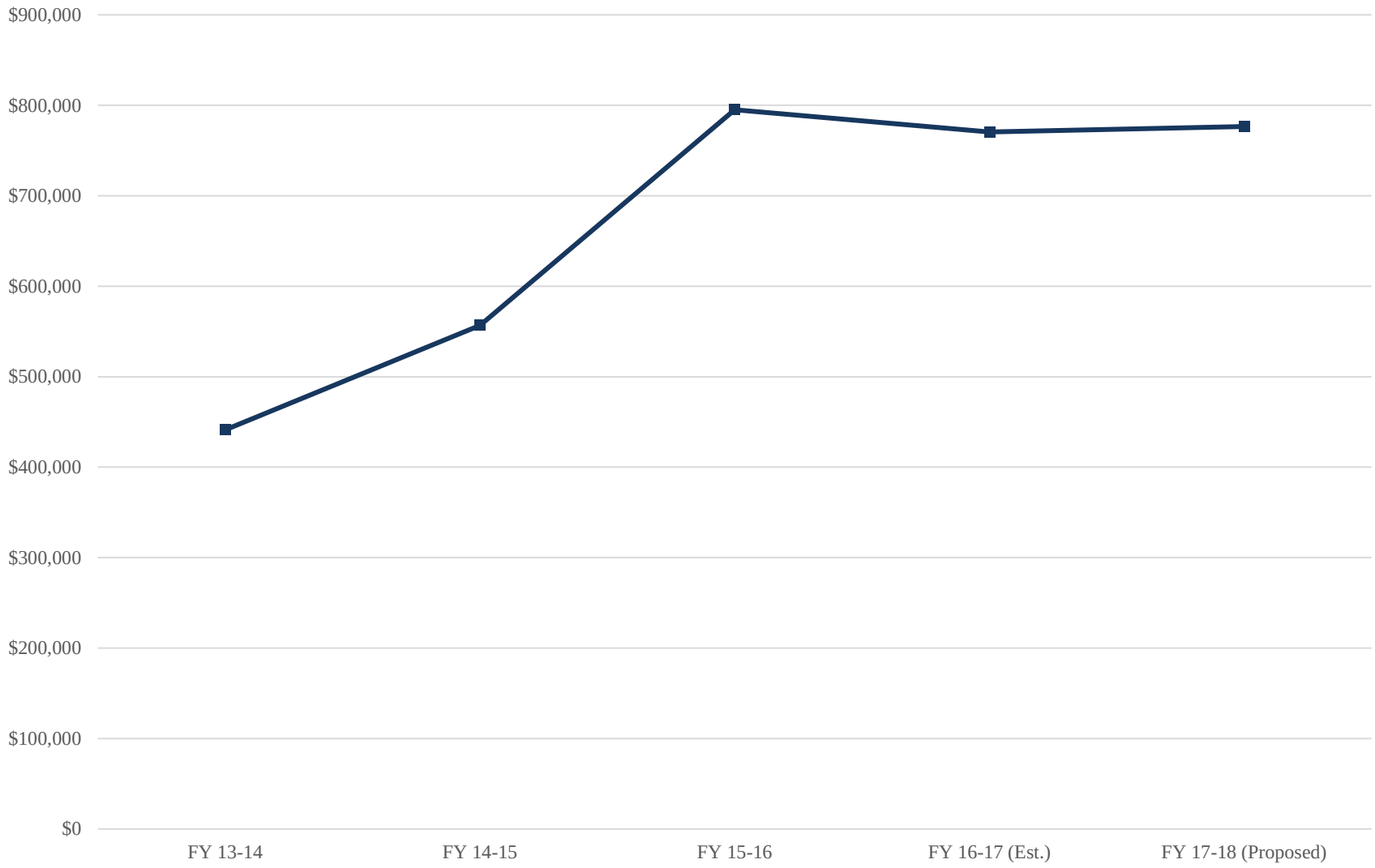
San Gabriel Valley Council of Governments	
Proposed Budget	
Fiscal Year 2017-18	
Description	**Amount**
Revenues:	
General Operating Income	$ 823,798
Grants & Special Project Income	548,413
Total Revenue	**1,372,211**
Expenses:	
Ongoing Operational Contracts	90,400
Personnel	780,823
General & Administrative	227,823
Consultant Services	205,090
Direct Expenses	23,000
Grant and Special Project Expenses	40,000
Total Expenses	**1,367,136**
Estimated Year-End Balance	**$ 5,075**

Estimated Fund Balance (7/1/2017):	$770,584
Estimated Fund Balance (6/30/2018):	$775,659

SUMMARY OF REVENUES AND EXPENSES (2015-2018)

Description	**FY 15-16 (Actual)**	**FY 16-17 (Estimated)**	**FY 17-18 (Proposed)**
Revenues:			
General Operating Income	$ 790,168	$ 784,606	$ 823,798
Grants & Special Project Income	379,147	706,518	548,413
Total Revenue	**1,169,315**	**1,491,124**	**1,372,211**
Expenses:			
Ongoing Operational Contracts	67,780	100,500	90,400
Personnel	279,459	515,489	780,823
General & Administrative	147,954	170,823	227,823
Consultant Services	405,547	280,090	205,090
Direct Expenses	21,882	23,000	23,000
Grant and Special Project Expenses	75,223	42,475	40,000
Total Expenses	997,845	1,162,376	**1,367,136**
Year-End Balance	**$ 171,470**	**$ (24,511)**	**$ 5,075**

SGVCOG Fund Balance 2013-2018[1]

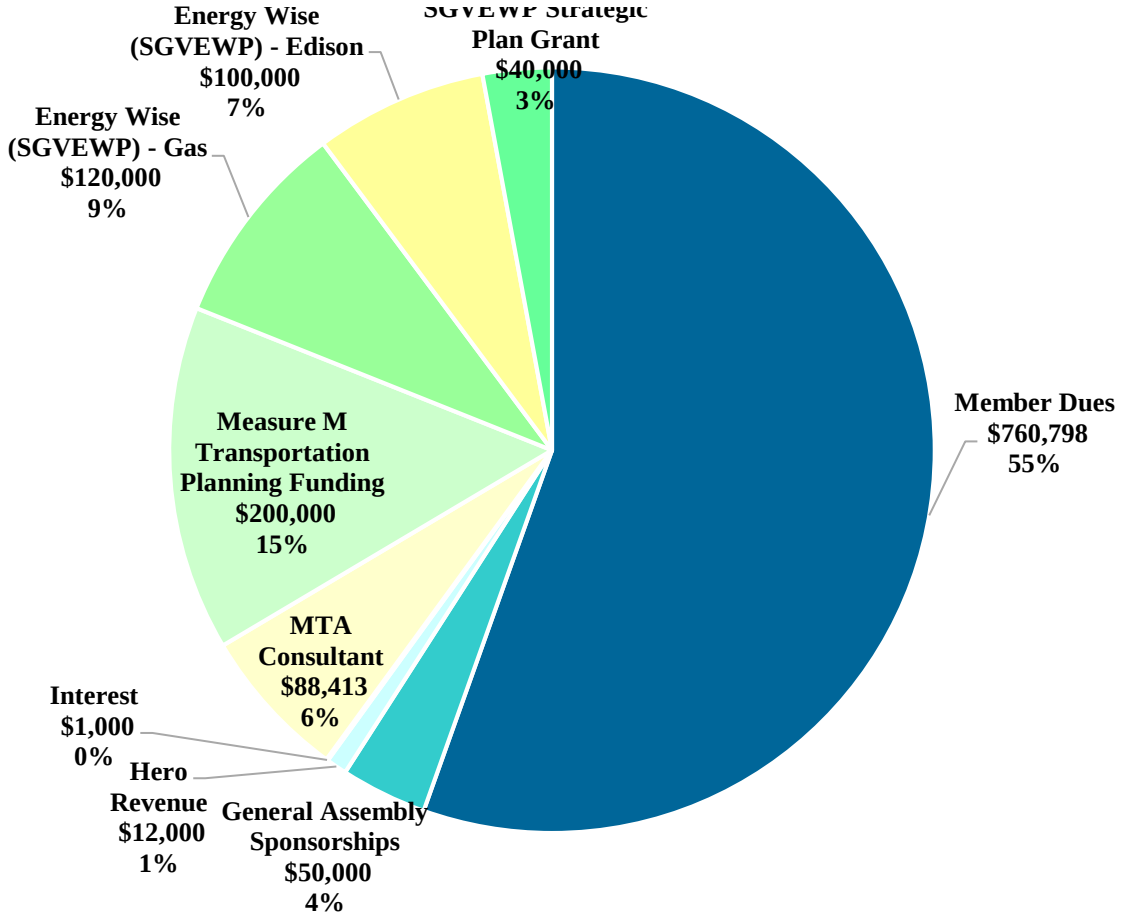


[1] FY 16-17 includes back payments to CalPERS and employee costs from FY 2015-16.

REVENUES

In FY 2017-18, SGVCOG revenues are projected at $1,372,221. Dues revenue, which reflects direct contributions made by member agencies, is estimated at $760,798, or 55% of total revenues. It is anticipated there will be $1,000 in revenue from interest; $50,000 in sponsorships for the general assembly; and $12,000 will be received from the HERO program. The remaining $548,413, or 40%, of the SGVCOG revenues are received through grants and other restricted funding.

FY 2017-2018 – SGVCOG Revenues
$1,372,221



Dues Revenue - Total member agency dues for FY 2017-18 are estimated to be $760,798. The revenue from dues is the primary source of income to support the SGVCOG's day-to-day staffing and operations. On March 19, 2015, the Governing Board approved a revised dues structure for members as follows:

[$5,000 base fee + $.32 per capita] X Annual CPI Adjustment = Member Dues[2]

At the same time, the Governing Board approved the following:

1. Increased the dues cap from $30,000 to $31,200, or by 4%.
2. Implemented an annual CPI adjustment to the base fee, the per capita portion of the dues formula, and the dues cap beginning in FY 2016-17. The CPI would be based on the LA County region. The CPI adjustment would be considered annually by the Governing Board in conjunction with approval of the upcoming fiscal year budget.
3. Capped CPI adjustments at 5 percent.
4. Instituted a policy to review the need for changes to the dues cap and the cap on the CPI adjustment every three years beginning in FY 2016-17.
5. Instituted a policy to utilize the prior year population figures provided by the Department of Finance in calculating the dues. This change will ensure that the SGVCOG staff is able to accurately project the dues revenue earlier in the budget preparation process and prepare timely dues invoices for distribution to the member agencies.

Per the dues policy, staff is proposing a 2.1% CPI adjustment to the member agencies dues and cap. This proposed increased is necessary to because of a number of ongoing operational contracts for goods and services, including rent, legal services, and financial audit services, that include an annual CPI adjustment. Therefore, approval of the CPI adjustment to the member dues would prevent the development of a structural deficit. Incorporating the proposed CPI increase, dues range from $5,641 to $32,843, with agencies paying an average of $21,737; nine member agencies pay the maximum dues amount.

Agency	Dues
Alhambra	$ 32,842.71
Arcadia	$ 24,480.45
Azusa	$ 21,931.18
Baldwin Park	$ 30,438.62
Bradbury	$ 5,641.54
Claremont	$ 17,463.23
Covina	$ 21,866.85
Diamond Bar	$ 24,490.89
Duarte	$ 12,733.54
El Monte	$ 32,842.71
Glendora	$ 22,901.31
Industry	$ 21,737.08
Irwindale	$ 5,739.90
La Canada Flintridge	$ 12,187.51
La Puente	$ 18,912.69
La Verne	$ 16,446.62
Monrovia	$ 17,905.51
Montebello	$ 26,795.95
Monterey Park	$ 25,927.55
Pasadena	$ 32,842.71
Pomona	$ 32,842.71
Rosemead	$ 23,867.72
San Dimas	$ 16,764.60
San Gabriel	$ 18,880.01
San Marino	$ 9,832.94
Sierra Madre	$ 8,972.97
South El Monte	$ 12,274.42
South Pasadena	$ 14,030.74
Temple City	$ 17,569.67
Walnut	$ 15,419.91
West Covina	$ 32,842.71
LA County District 1	$ 32,842.71
LA County District 4	$ 32,842.71
LA County District 5	$ 32,842.71
SGV Water Agencies	$ 32,842.71
Total	**$ 760,797.79**

[2] The City of Industry pays dues equal to the average dues of all member agencies. That formula was approved by the Governing Board and agreed to by the City of Industry due to the differences in the City's daytime and nighttime population.

.

Grants & Other Funding- Income from grants and other sources varies annually based on the number of active grants and has been used to leverage the SGVCOG's other resources and enable the organization to meet its objectives and serve the needs of member agencies. In FY 2017-18, there is an estimated $548,413 in revenue projected from four programs:

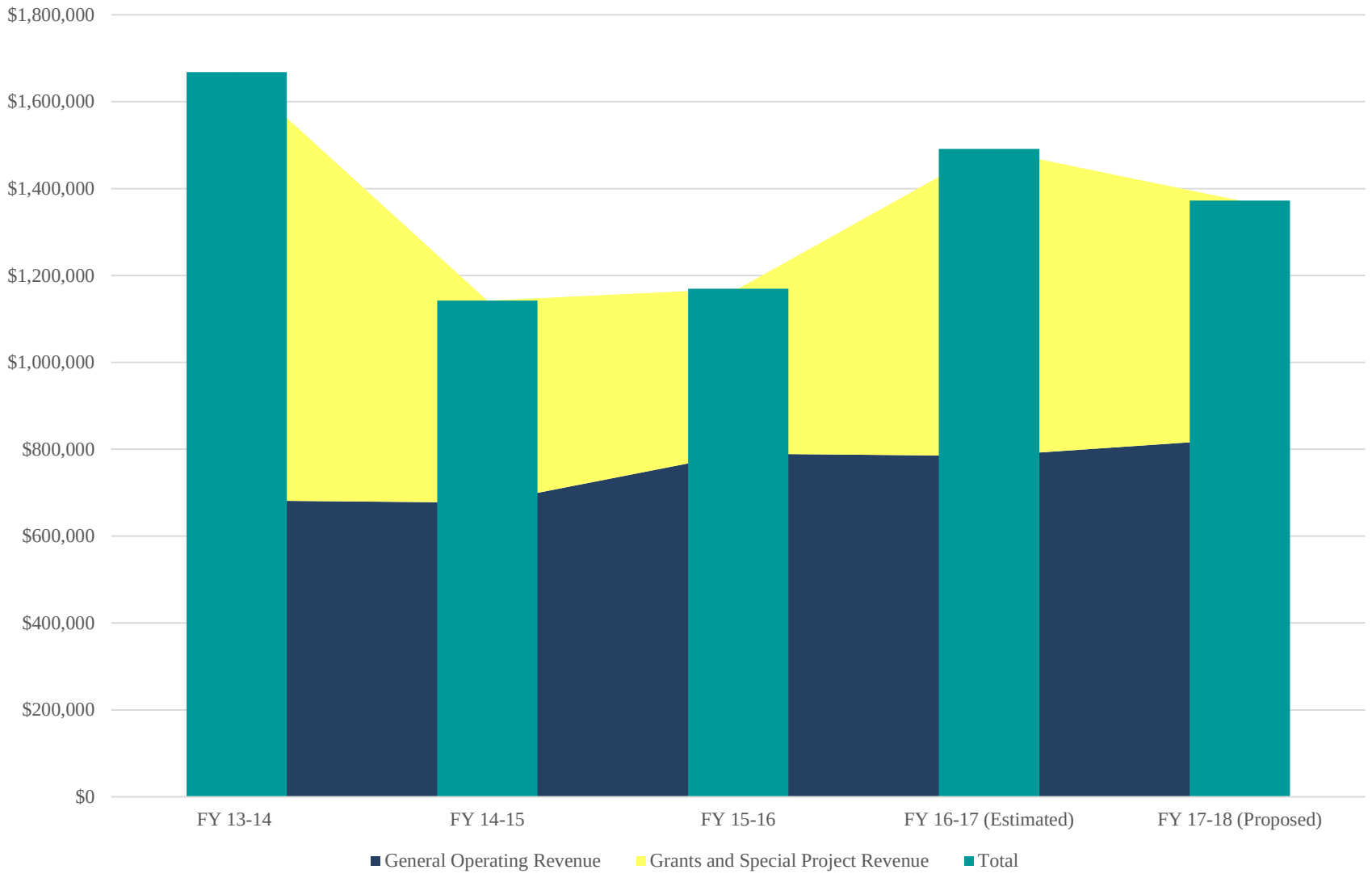
- ***San Gabriel Valley Energy Wise Partnership (SGVEWP) ($220,000):*** This program is funded by the California Public Utilities Commission (CPUC). The objectives of the Partnership are as follows: 1) Assisting local governments in identifying and implementing energy-efficiency projects in their municipal facilities; 2) Providing training to city staff on energy efficiency issues; and 3) Educating and outreaching to the public on energy-efficiency and related programs and rebates. As the local government partner, the SGVCOG is primarily responsible for administrating and coordinating with utility staff in identifying energy-efficiency projects in city facilities and marketing and outreach for the Partnership. SGVCOG is fully reimbursed for all staff time spent managing this program. The SGVCOG receives an annual budget allocation from Southern California Edison (SCE) and SoCalGas (SCG). This grant is paid on a reimbursement basis, based on labor and expenses, under a not to exceed amount. Based on the 2017 workplan and anticipated staffing and expenses, staff is recommending estimated revenues of $220,000 be included in the proposed FY 2017-18 budget.
- ***SGVEWP Strategic Plan Grant ($40,000):*** In January 2017, the SGVCOG was awarded funding through the SGVEWP to assist the cities of West Covina, Pomona, South Pasadena and Monrovia with energy benchmarking. Energy benchmarking allows cities to inventory their facilities' energy usage and compare it to similar facilities. All work will be completed in-house and must be completed by December 2017. This grant is paid on a reimbursement basis. It is anticipated the reimbursable labor costs associated with effort will be $40,000 in FY 2017-18.
- ***MTA Transportation Consultant ($88,413):*** The Los Angeles County Metropolitan Transportation Authority (MTA) Board of Directors includes one member appointed by the Los Angeles Division of the League of California Cities' City Selection Committee to represent the San Gabriel Valley as the SGVCOG representative. John Fasana (Duarte) currently serves in this role. MTA recognizes the need for the SGVCOG representative to have staff support to perform the duties of a Board Member. Beginning in FY 2013-14, MTA has instead provided an annual allocation to the SGVCOG via a Memorandum of Understanding (MOU), which can then be used to provide the support services either through the use of a consultant or by hiring an employee. Under the terms of this MOU, the SGVCOG and Board Member are responsible for selecting, employing/contracting with, compensating and overseeing the work of the individual responsible for providing the support services. Currently, the total reimbursement from MTA is for an amount not exceed $88,413 annually. This amount is adjusted in an amount equal to any increases approved by the Board for MTA non-contract employee salary increases.[3] The

[3] This revenue is associated with a contract with a consultant. The terms of the contract with the consultant provide that the annual amount paid to the consultant be increased by a percentage equal to the percent increase that the SGVCOG receives from MTA.

term of the MOU is from July 1, 2013 to June 30, 2017, and staff is currently working on an extension. The SGVCOG utilizes this funding to pay for a consultant. The total annual cost of that contract is $106,090, and the SGVCOG contributes the balance of $17,677.

- ***MTA Measure M Transportation Planning Funding ($200,000):*** In February 2017, the Governing Board directed staff to begin work to create a transportation planner/program director position to primarily manage Measure M program funds, which will amount to nearly $1.5 billion in various programs directed towards the SGV over the next 40 years. It is anticipated that staff will return to the Governing Board to request approval of a job description and pay range. Simultaneously, staff is working with Metro staff to develop a MOU with Metro to fund this position using Measure M program funds. It is expected that this MOU will be brought to the Governing Board for consideration in July.
- ***California HERO ($12,000):*** In April 2013, the SGVCOG entered into a MOU with Western Riverside Council of Governments (WRCOG) to promote the California HERO program in the San Gabriel Valley. The California HERO program provides property owners with access to loans for the installation of energy-efficiency and renewable energy projects. Pursuant to the MOU, the SGVCOG serves as the point of contact for information and support for the program in our region and assists San Gabriel Valley cities in implementing the program. While contractors have the primary responsibility for marketing the program, SGVCOG staff provides information on California HERO at existing marketing and outreach events in participating cities. In exchange for this program support, WRCOG is obligated to pay Participant fees to the SGVCOG equal to 0.05% of the aggregate cost of the bonds issued to fund California HERO eligible projects within the subregion.

SGVCOG Total Revenue 2013-2018[4]



[4] FY 15-16 includes $50,933 in revenue from the SGVCOG's settlement with its insurance carrier.

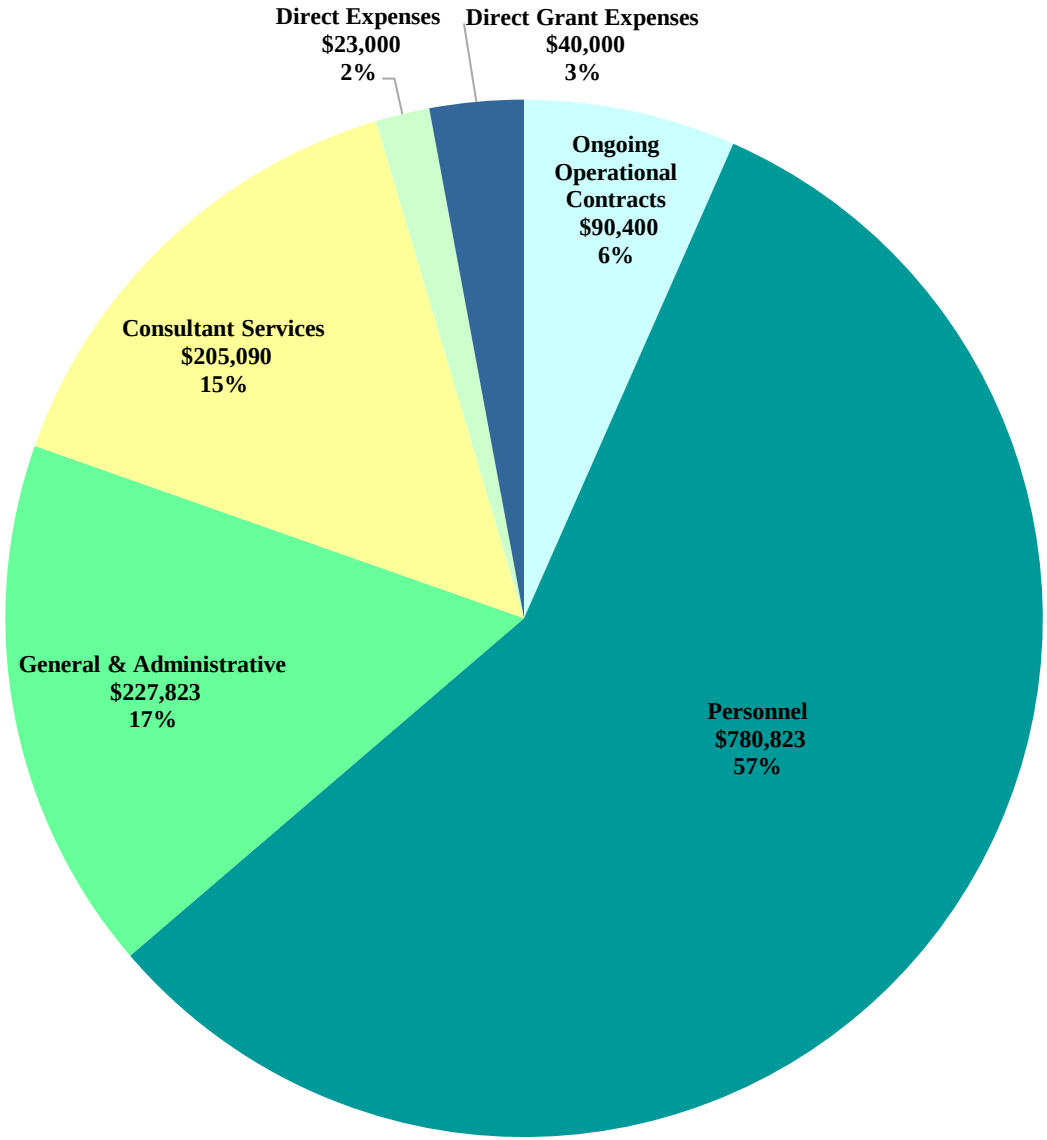
EXPENDITURES

During FY 2017-18, SGVCOG expenditures are projected to total $1,367,136. This reflects an increase of 17.6% from FY 2016-17, largely associated with the creation of the new Measure M Transportation Planner/Program Manager position. The three largest expenditure components are 1) Personnel, 780,823 or 57% 2) General & Administrative Costs, $227,823 or 17%, and 3) Consultant Services, $205,090 or 15%.

SGVCOG Expenses 2013-2018

Category	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 (Est.)	FY 2017-18 (Proposed)
Ongoing Operational Contracts	108,886	91,456	67,780	100,500	90,400
Personnel	417,429	353,459	279,459	515,489	780,823
General & Administrative	231,921	133,680	147,954	170,823	227,823
Consultant Services	93,354	254,023	405,547	280,090	205,090
Direct Expenses	15,192	18,177	21,882	23,000	23,000
Grant and Special Project Expenses	132,879	183,022	75,223	42,475	40,000
Total	**$ 1,000,366**	**$ 1,033,817**	**$ 997,845**	**$ 1,162,376**	**$ 1,367,136**

FY 2017-18 – SGVCOG Expenditures by Category
$1,367,136



Personnel- These costs include the salary, benefit and retirement costs associated with the SGVCOG staff. For FY 2017-18, staff is proposing six full-time positions, including an Executive Director, Assistant Executive Director, a transportation planner/program manager, one Senior Management Analyst, two Management Analysts, and one part-time project assistant position. Additionally, the SGVCOG offers a paid internship program, and those interns generally work on projects related to the San Gabriel Valley Energy Wise Partnership. Legal services, administrative support, accounting and treasurer services are provided pursuant to contracts. Additionally, various specialized services, such as strategic planning and human resources, are provided to the SGVCOG on an as-needed basis under contracts. The SGVCOG provides standard benefits to staff, and all staff members participate in the California Public Employees' Retirement System (CalPERS). All new employees are under the "2% at 62" formula, and all employees pay the full employee CalPERS contribution. Of the total personnel costs, $245,520, or 32%, is anticipated to be offset by grants and revenue from Metro. For those programs that do not have outside funding, including administrative work, legislative tracking and advocacy, homelessness and stormwater, general fund revenue is used to pay these costs.

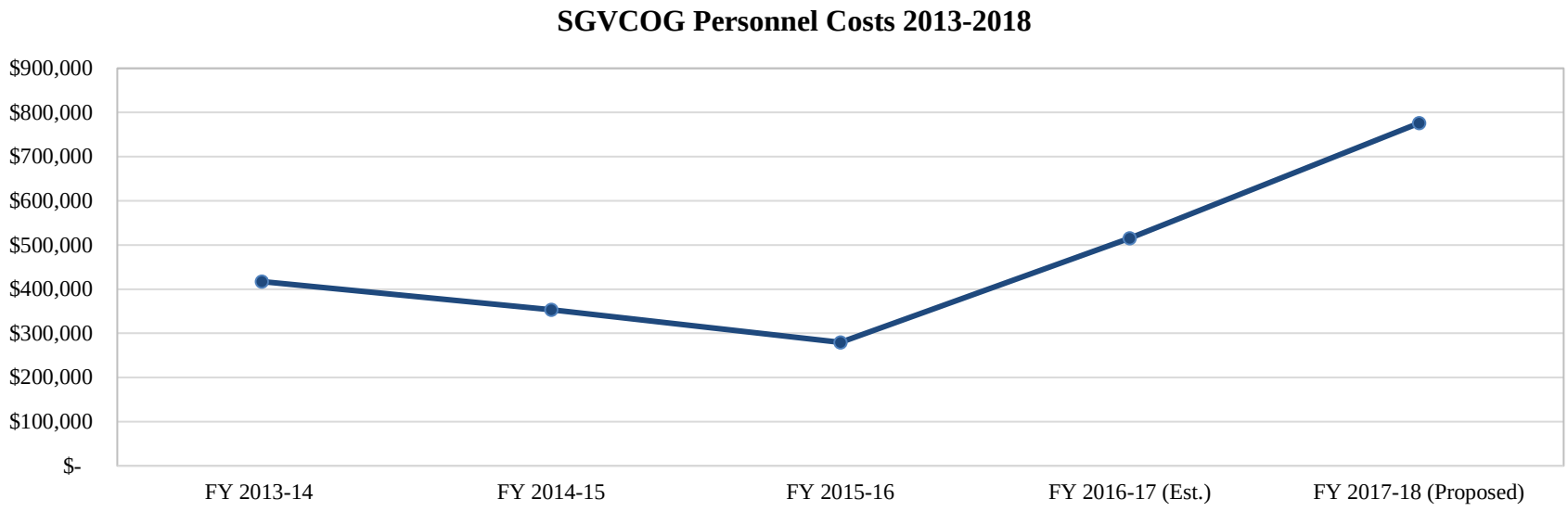
Changes from current fiscal year (FY 2016-17) and the proposed FY 2017-18 budget are attributable to the following:

- **Salaries and Deferred Compensation ($255,383 increase):** There several changes are reflected in the proposed salary costs as follows:
    - *Executive Director:* Per direction from CalPERS, the Executive Director position was converted from a consultant contract to an in-house position in FY 2016-17. The FY 2017-18 budget reflects 12 months of full-time salary for this position. Additionally, the salary was increased to $180,250 to reflect a 3% increase from the prior full-time Executive Director's salary ($175,000) in anticipation of undertaking a recruitment for this position.
    - *Salary Adjustments:* SGVCOG staff do not receive step increases or annual cost of living adjustments. All salary increases are based on annual evaluations. The proposed FY 2017-18 budget includes funding to provides to funding to provide merit-based salary increases of up to 3%.
    - *Management Analyst (Energy Wise Partnership):* In January 2017, the Governing Board approved creation of an additional management analyst position to manage the San Gabriel Valley Energy Wise Partnership. This position is limited term (dependent upon grant funding) and is fully funded through the San Gabriel Valley Energy Wise Partnership. The FY 2017-18 budget reflects 12 months of full-time salary for this position.
    - *Transportation Planner / Program Manager:* The Governing Board directed staff to work with Metro to develop an MOU to provide ongoing funding for this new full-time position. Based on comparable positions, the proposed starting salary for this position is $120,000.
- **Internship Program ($20,000 increase):** SGVCOG interns work to support and are funded through the San Gabriel Valley Energy Wise Partnership. With the creation of the new full-time Energy Wise Partnership position, staff anticipates that there will some decrease in the need for interns to staff the Energy Wise program.
- **Benefits ($4,900 increase):** Full-time staff receive medical insurance benefits up to $700 per month. The FY 2017-18 budget reflects a full year of costs for the new full-time positions (Executive Director, Management Analyst, and Transportation Planner/

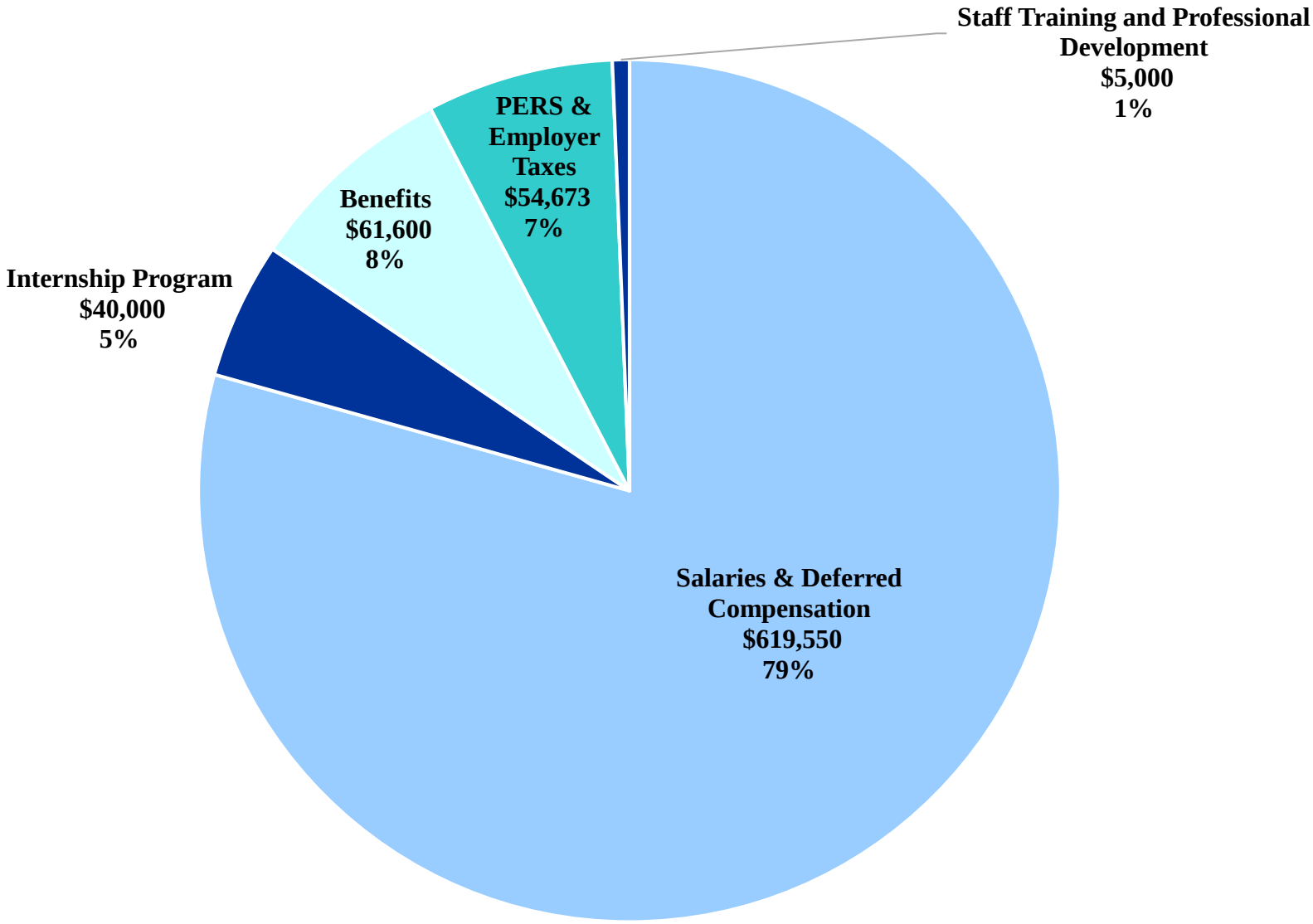
Program Manager). This increase is partially offset by back payments for medical insurance benefits that were due to the Executive Director in FY 2016-17 when that positon was converted from a consultant contract to an in-house position.

- **PERS & Employer Taxes ($20,551 increase):** Currently, all SGVCOG employers are subject to the Public Employee Pension Reform Act (PEPRA), which caps and limits pension benefits. CalPERS has indicated that the employer contribution rate for FY 2017-18 will be 6.55% of salaries for PEPRA employees.

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 (Est.)	FY 2017-18 (Proposed)
Salaries & Deferred Compensation	348,259	299,983	183,534	364,167	619,550
Internship Program			46,045	60,500	40,000
Benefits	31,738	27,797	28,616	56,700	61,600
PERS & Employer Taxes	37,432	25,679	21,264	34,122	54,673
CalPERS Payment (One-time)				25,000	
Staff Training and Development				5,000	5,000
Total	**$ 417,429**	**$ 353,459**	**$ 279,459**	**$ 515,489**	**$ 775,823**



FY 2017-2018 – SGVCOG Personnel Expenditures
$775,823

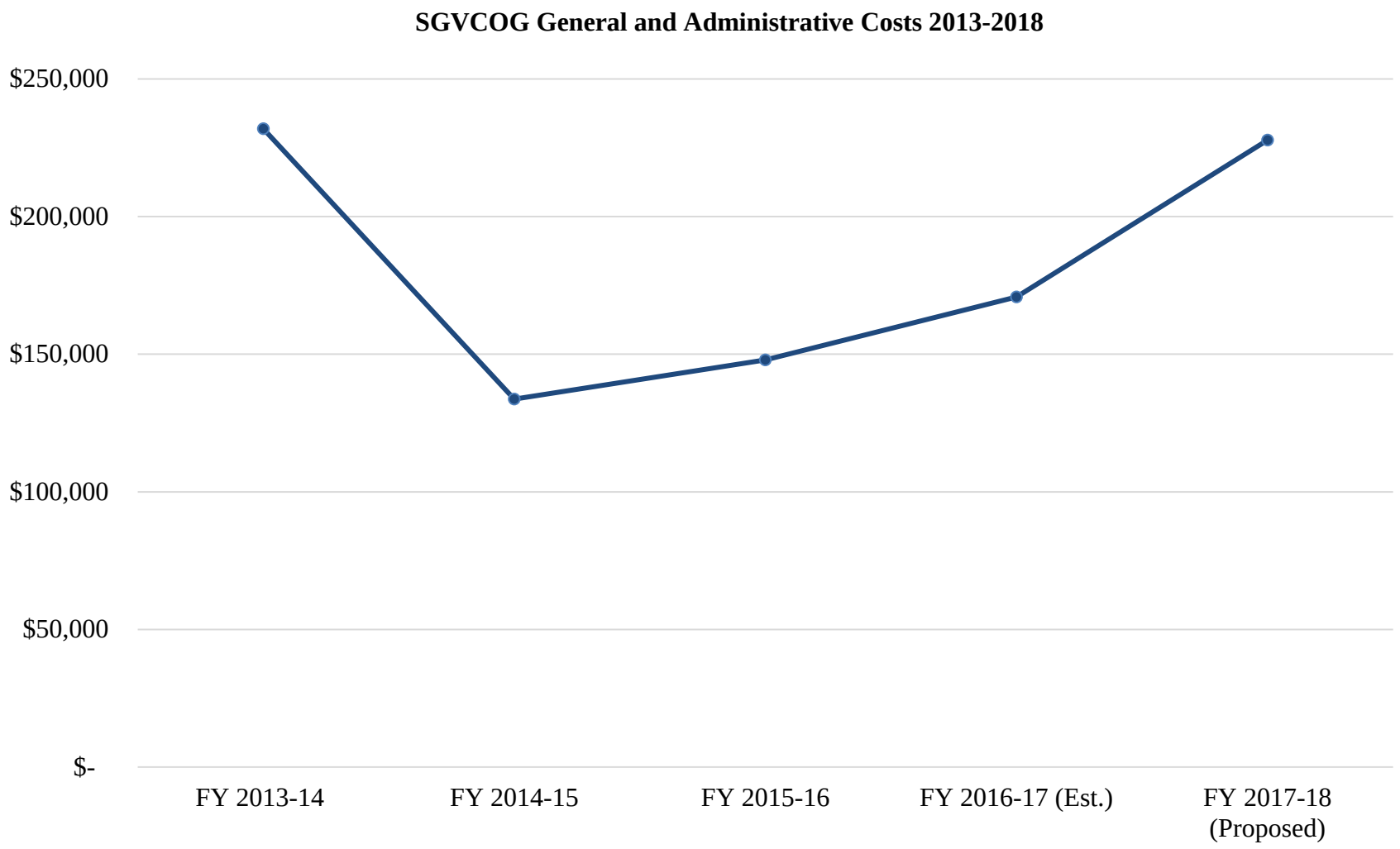


General & Administrative- These costs include facility costs (i.e. rent, storage, utilities, and office supplies), insurance/bonding, meetings and travel, and memberships. In January 2013, the SGVCOG entered into a five-year lease for the SGVCOG's offices that are currently located in Alhambra, and that lease is set to expire in December 2017. Staff is researching potential options for office space and will present options to the Governing Board in the coming months. Based on the SGVCOG's indirect costs allocation plan, a portion of the general and administrative costs are reimbursed through the SGVCOG's grant programs.

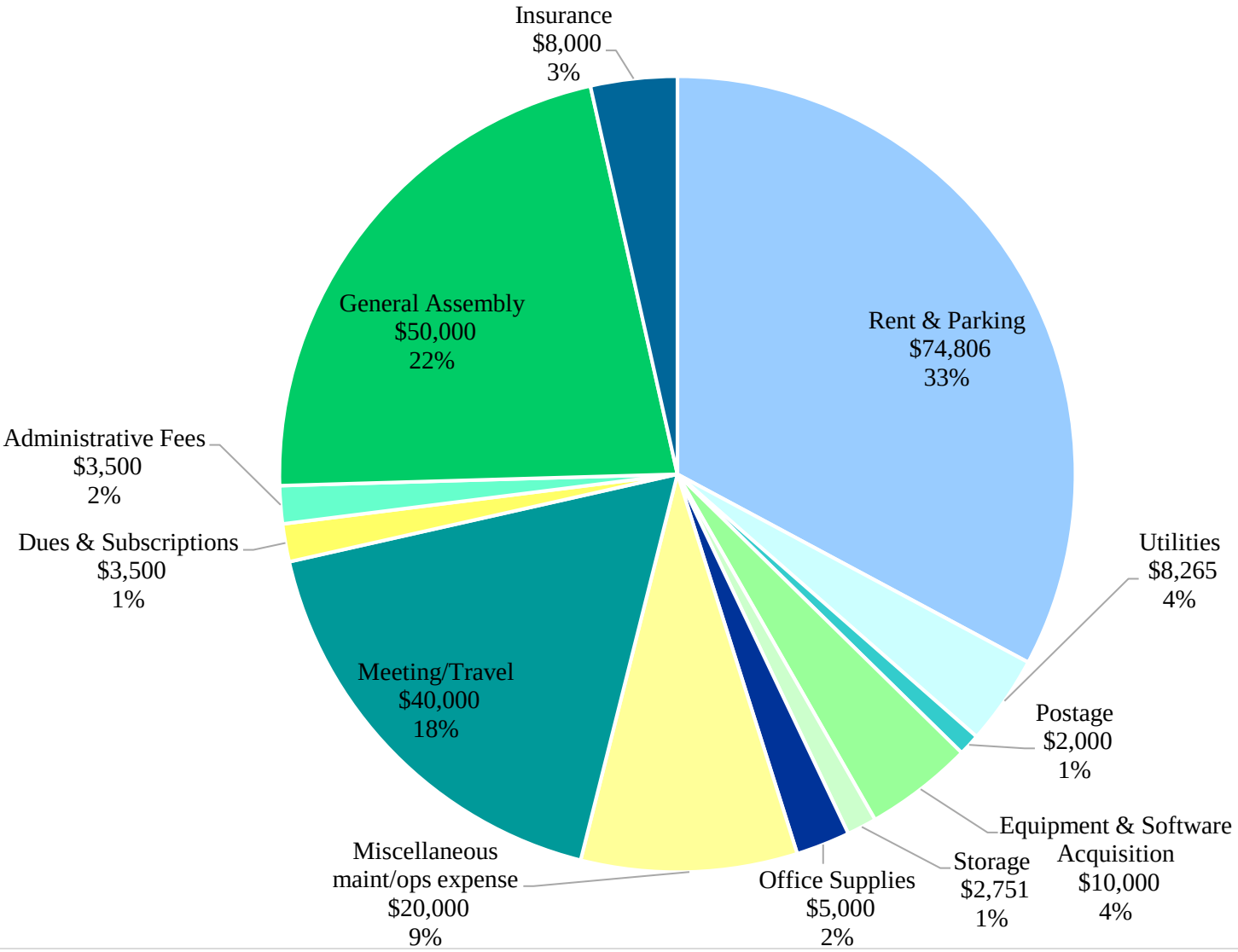
Changes from current fiscal year (FY 2016-17) and the proposed FY 2017-18 budget are attributable to the following:

- **Rent ($2,179 increase):** The FY 2017-18 assumes at 3% increase for rent, utilities, and storage based on increases to the consumer price index. This is consistent with historic trends.
- **Utilities ($240 increase):** The FY 2017-18 assumes at 3% increase for rent, utilities, and storage based on increases to the consumer price index. This is consistent with historic trends.
- **Storage ($80 increase):** The FY 2017-18 assumes at 3% increase for rent, utilities, and storage based on increases to the consumer price index. This is consistent with historic trends.
- **Miscellaneous Expenses ($15,000 increase):** This line item includes $15,000 to cover possible moving costs.
- **General Assembly ($35,000 increase):** Staff is working to seek additional sponsorships for the General Assembly to expand the scope of the event. It is anticipated that revenues will offset all expenses for the general assembly.

	FY 2013-14	**FY 2014-15**	**FY 2015-16**	**FY 2016-17 (Est.)**	**FY 2017-18 (Proposed)**
Rent & Parking	62,169	63,762	66,904	72,627	74,806
Utilities	5,097	5,106	5,754	8,025	8,265
Postage	1,718	1,292	868	2,000	2,000
Equipment & Software Acquisition	12,041	4,175	17,291	10,000	10,000
Storage	1,238	2,063	2,578	2,671	2,751
Office Supplies	4,646	5,455	4,008	5,000	5,000
Miscellaneous Expenses	1,517	15,838	3,813	5,000	20,000
Meeting/Travel	30,444	24,520	31,750	40,000	40,000
Dues & Subscriptions	1,239	2,903	4,744	3,500	3,500
Administrative Fees	2,287	2,929	3,635	3,500	3,500
Claim Expense	102,929				
General Assembly				10,500	50,000
Insurance	6,596	5,637	6,609	8,000	8,000
Total	**$ 231,921**	**$ 133,680**	**$ 147,954**	**$ 170,823**	**$ 227,823**


SGVCOG General and Administrative Costs 2013-2018
$250,000
$200,000
$150,000
$100,000
$50,000
$-
FY 2013-14
FY 2014-15
FY 2015-16
FY 2016-17 (Est.)
FY 2017-18 (Proposed)

FY 2017-18 – SGVCOG General and Administrative Expenditures
$227,823



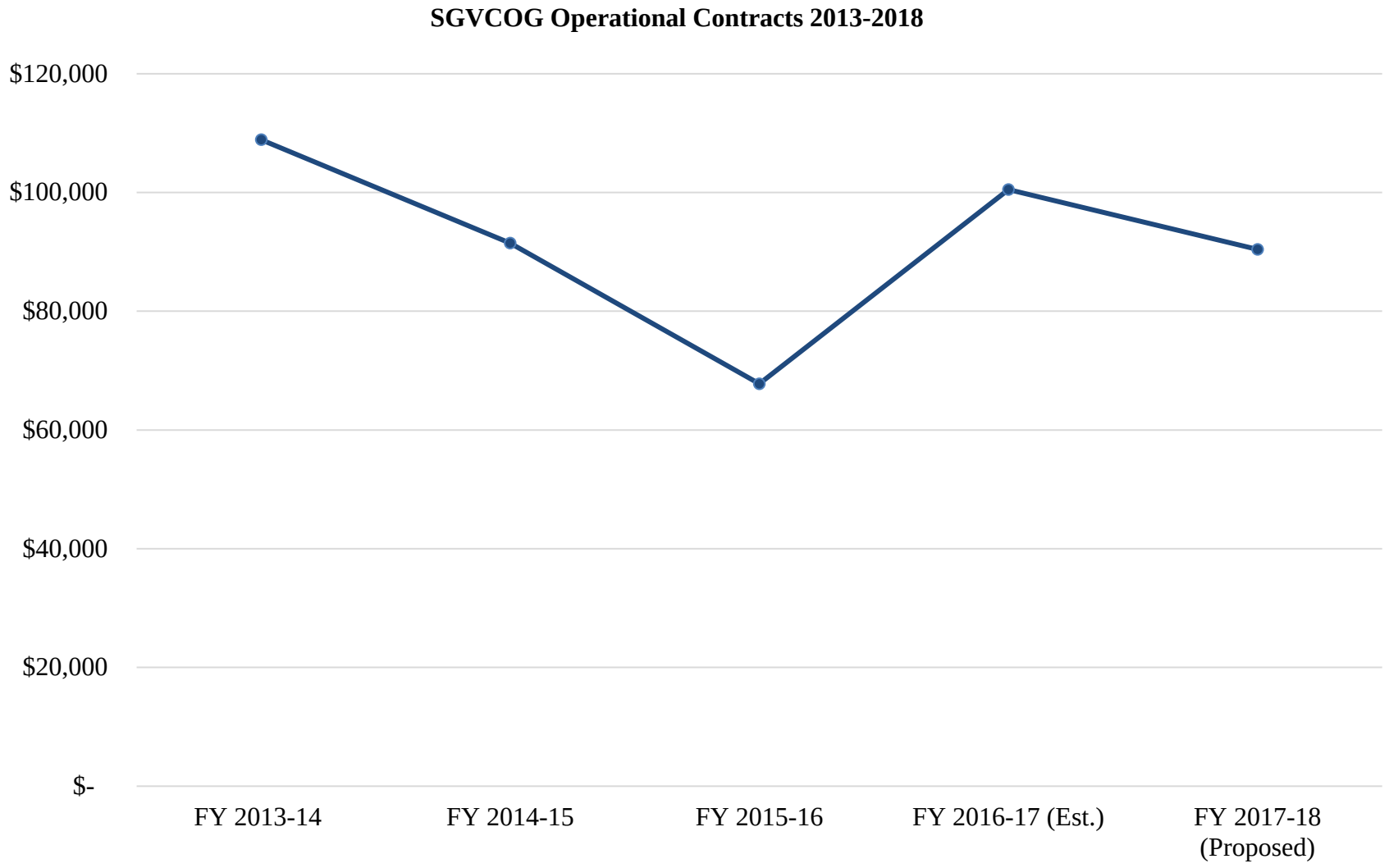
Ongoing Operational Contracts – This includes ongoing annual contracts for legal, accountant/financial, treasurer and auditor services. The SGVCOG's legal contract provides for a monthly retainer, and the financial audit is conducted and paid for annually. In March 2014, the Governing Board approved a renewal of the contract with Jones & Mayer for General Counsel legal services for one year with four one-year options, with the same terms and conditions. In January 2016, the Governing Board approved a five-year contract with Vasquez and Company for financial audit services.[5] In February 2016, the Governing Board approved a Memorandum of Understanding (MOU) with ACE to provide accountant/financial management services. At the same time, the Governing Board approved a two-year contract with Vicenti, Lloyd & Stutzman to provide treasurer services.

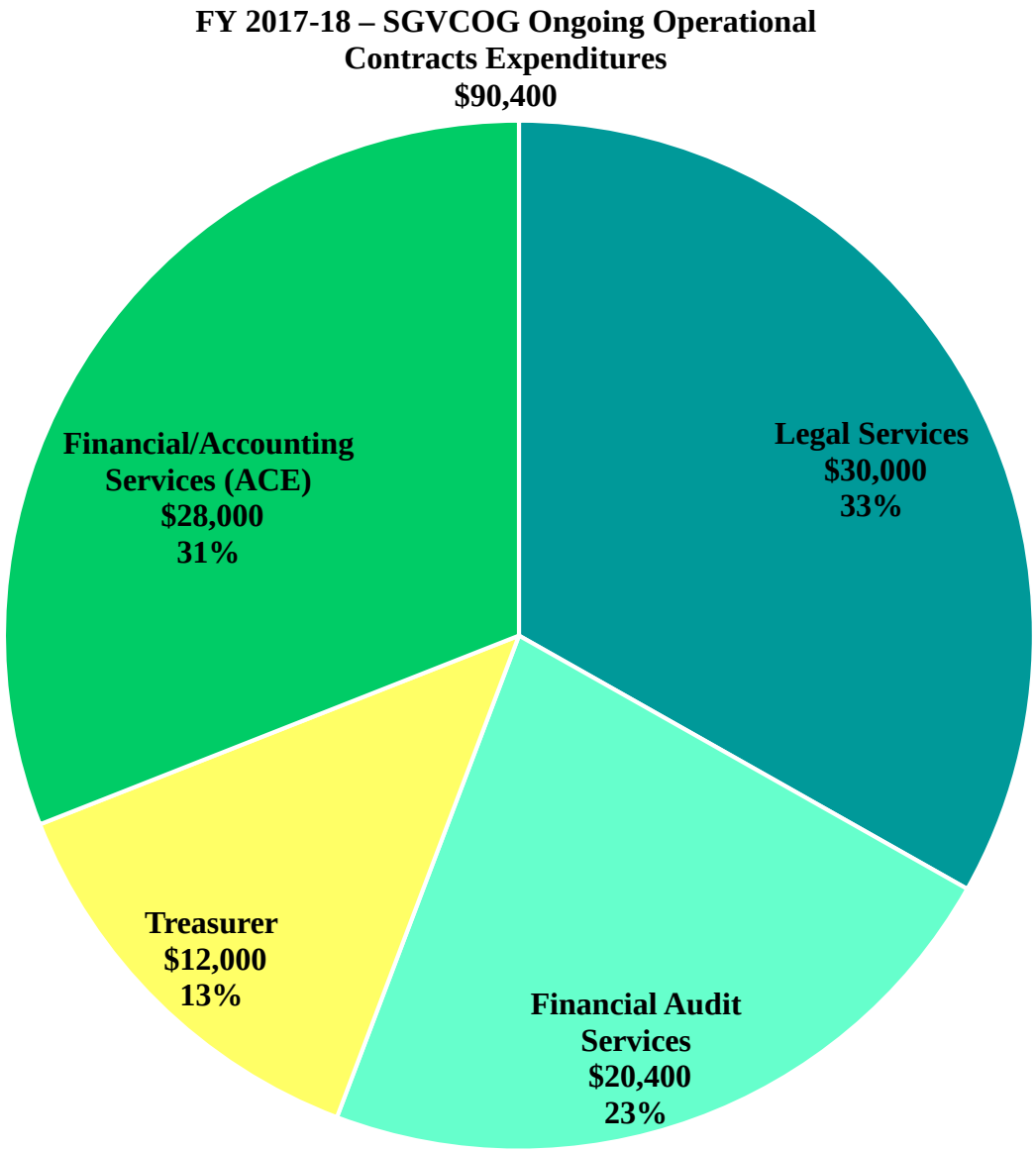
Changes from current fiscal year (FY 2016-17) and the proposed FY 2017-18 budget are attributable to the following:

- **Legal Services ($5,000 decrease):** The annual cost of the SGVCOG's retainer for legal services is $25,000. In FY 2016-17, the SGVCOG had additional non-retainer legal expenses associated with addressing inquiries from CalPERS and providing legal opinions related to the reconfiguration of ACE. In FY 2017-18, it is anticipated that there will be some non-retainer services needed related to revising the bylaws and JPA to reflect the reconfiguration of ACE.
- **Financial Audit Service ($400 increase):** The SGVCOG's five-year contract provides for specified annual increases.
- **Treasurer ($1,500 decrease):** The contract for this services specifies an annual not to exceed budget of $22,500, and the costs are shared between ACE and SGVCOG. Based on discussions with the contractor, it is anticipated that the SGVCOG's share of costs for FY 2017-18 will decrease slightly.
- **Financial/Accounting Services ($4,000 decrease):** The SGVCOG's MOU with ACE specifies an annual not to exceed budget of $28,000, unless amended. In FY 2016-17, additional accounting costs were incurred assisting in developing new financial policies and participating in the Caltrans audit.

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 (Est.)	FY 2017-18 (Proposed)
Legal Services	53,227	35,502	26,974	35,000	30,000
Financial Audit Services	15,000	20,000	17,500	20,000	20,400
Treasurer			2,985	13,500	12,000
Financial/Accounting Services	40,659	36,254	20,321	32,000	28,000
Total	**$108,886**	**$91,456**	**$67,780**	**$100,500**	**$90,400**

[5] The contract for financial audit services may be cancelled at any time by the SGVCOG with 30 days written notice.


SGVCOG Operational Contracts 2013-2018
$120,000
$100,000
$80,000
$60,000
$40,000
$20,000
$-
FY 2013-14
FY 2014-15
FY 2015-16
FY 2016-17 (Est.)
FY 2017-18 (Proposed)


FY 2017-18 – SGVCOG Ongoing Operational Contracts Expenditures
$90,400
Legal Services
$30,000
33%
Financial Audit Services
$20,400
23%
Treasurer
$12,000
13%
Financial/Accounting Services (ACE)
$28,000
31%

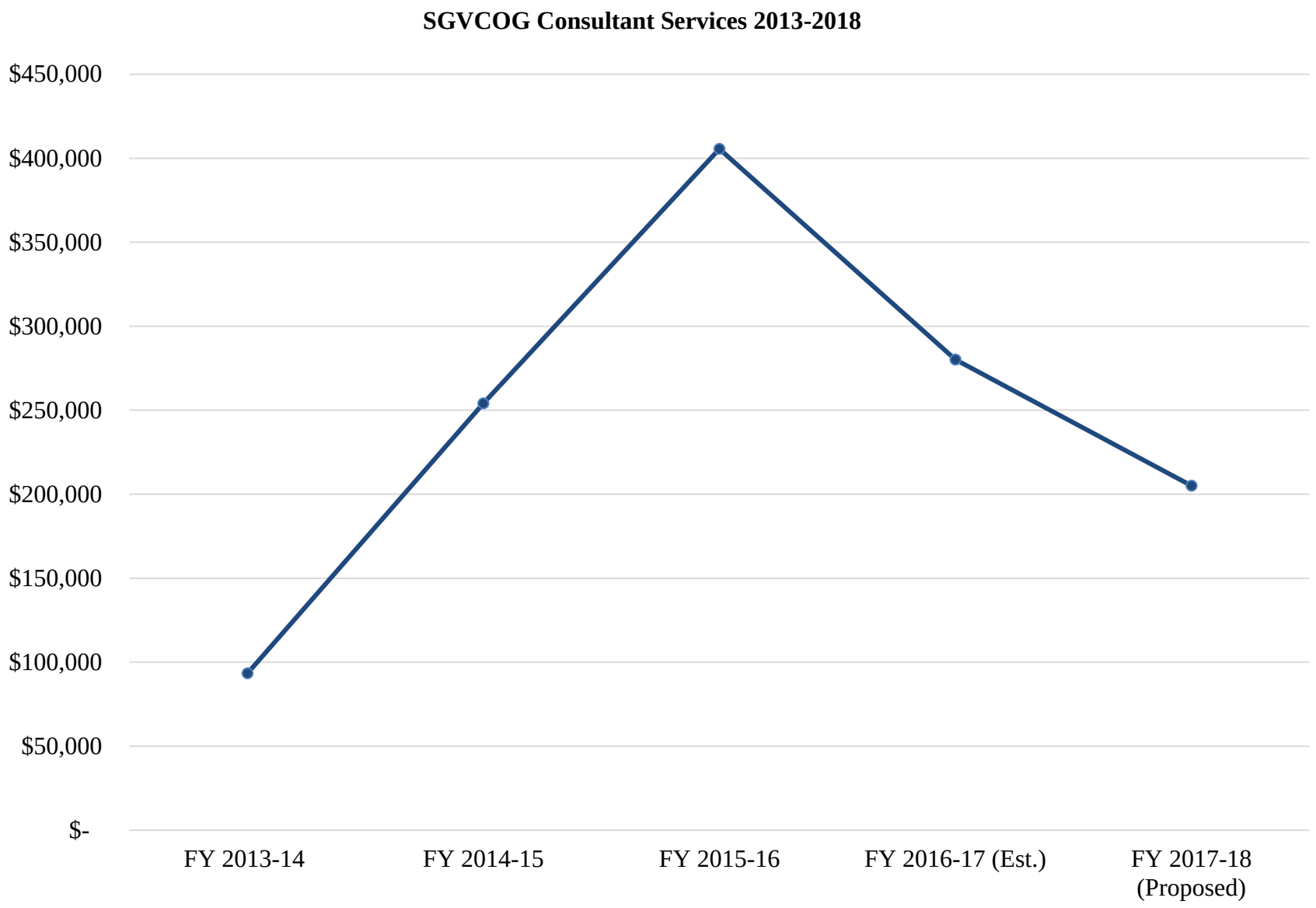
Consultant Services- This reflects the costs related to services including MTA Board Support, transportation planning support, administrative support,[6] media/public relations, and grant writing.

Changes from current fiscal year (FY 2016-17) and the proposed FY 2017-18 budget are attributable to the following:

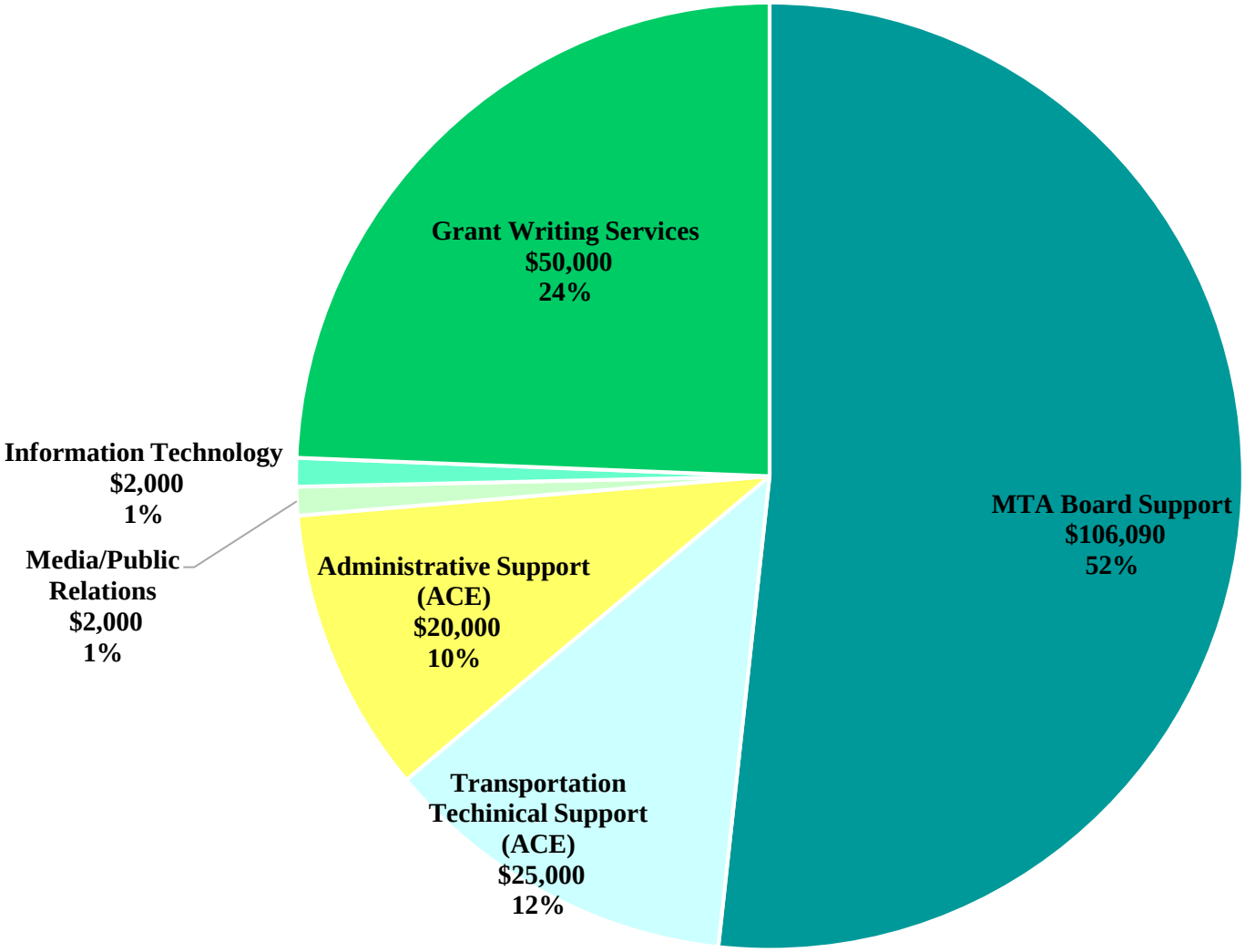
- **Interim Executive Director ($65,000 decrease):** In November 2016, the Executive Director position was converted from an consultant position to a full-time staff position. Those costs are now included under personnel costs.
- **Transportation Technical Support ($5,000 decrease):** With the creation of the new transportation planner/program manager position, it is expected that there will be some decrease in the need for transportation technical support from ACE staff.
- **Administrative Support ($5,000 decrease):** In FY 2016-17, additional administrative support costs were incurred assisting in developing new human resource procedures and financial policies as well as participating in the Caltrans audit.

	FY 2013-14	**FY 2014-15**	**FY 2015-16**	**FY 2016-17 (Est.)**	**FY 2017-18 (Proposed)**
Interim Executive Director		58,250	156,000	65,000	
MTA Board Support	81,249	95,832	102,750	106,090	106,090
Strategic Plan		22,000	9,998		
Transportation Technical Support (ACE)		6,543	50,000	30,000	25,000
Administrative Support (ACE)	7,238		18,958	25,000	20,000
Media/Public Relations		3,200	1,150	2,000	2,000
Information Technology		5,546	2,532	2,000	2,000
Annual Executive Director Evaluation	4,867				
Management Services Support		55,652	27,293		
Grant Writing Services		7,000	29,553	50,000	50,000
Stormwater Consultant			7,313		
Total	**$ 93,354**	**$ 254,023**	**$ 405,547**	**$ 280,090**	**$ 205,090**

[6] Both transportation planning and administrative support services are provided by ACE via MOUs that were approved by the Governing Board in February 2015 and February 2016 respectively.

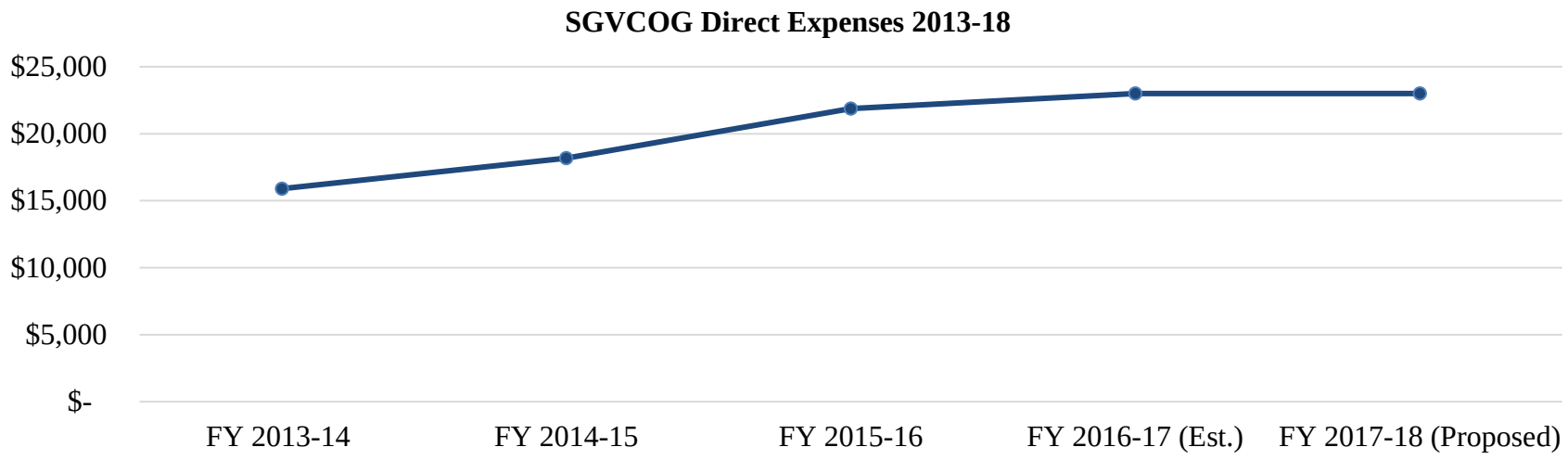

SGVCOG Consultant Services 2013-2018
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$-
FY 2013-14
FY 2014-15
FY 2015-16
FY 2016-17 (Est.)
FY 2017-18 (Proposed)

FY 2017-18 – SGVCOG Consultant Services Expenditures
$205,090



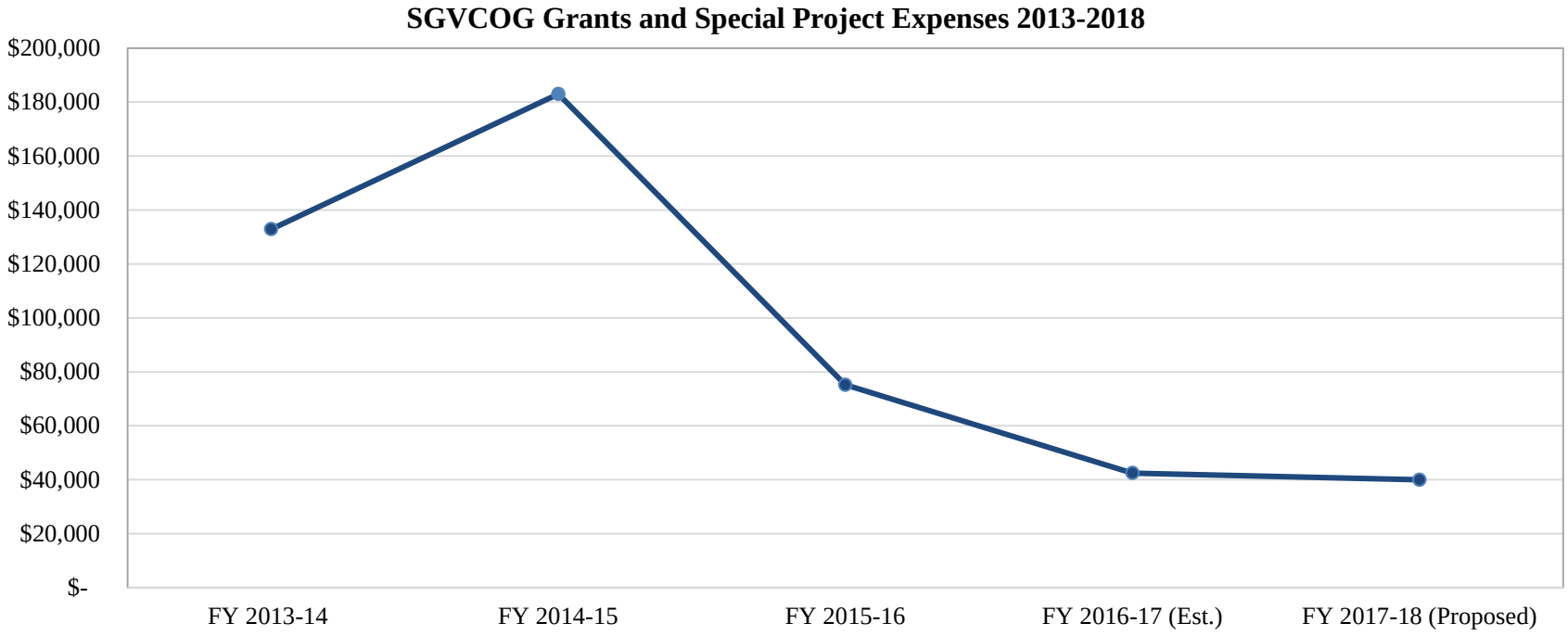
Direct Expenses- This category includes board stipends and printing/publication. Governing Board members are paid a stipend of $50 per meeting. Stipend expenditures vary based on the number of meetings and attendance at these meetings. The SGVCOG has a lease arrangement to provide printing equipment. Large quantities and special order materials are generally outsourced. In May 2015, the Governing Board authorized a new five-year lease agreement for copier equipment and supplies.

	FY 2013-14	**FY 2014-15**	**FY 2015-16**	**FY 2016-17 (Est.)**	**FY 2017-18 (Proposed)**
Board Stipends & Taxes	8,550	10,800	13,739	11,000	11,000
Printing / Publication	7,347	7,377	8,143	12,000	12,000
Total	**$ 15,897**	**$ 18,177**	**$ 21,882**	**$ 23,000**	**$ 23,000**



Grants & Special Projects Expenses- This expenditure category reflects direct program expenditures related to the SGVCOG's grant funded projects. In FY 2017-18, the SGVCOG will have two active grant programs: San Gabriel Valley Energy Wise Partnership and SCE Strategic Planning. These programs are described in further detail under "Revenues."

	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 (Est.)	FY 2017-18 (Proposed)
SGVEWP Edison & Gas Expenses	29,035	71,433	28,770	40,000	40,000
SCE CEESP Expenses[7]	103,844	111,589	46,453	2,475	
Total	**$ 132,879**	**$ 183,022**	**$ 75,223**	**$ 42,475**	**$ 40,000**



[7] The SCE CEESP Grant was completed in September 2015.

REPORT

DATE: April 10, 2017

TO: City Managers' Steering Committee

FROM: Phil Hawkey, Executive Director

RE: MEASURE H GUIDING PRINCIPLES

RECOMMENDED ACTION

Recommend Governing Board adopt Resolution approving Measure H Guiding Principles.

BACKGROUND

The Los Angeles County Homeless Initiative (HI) is currently in the process of developing Measure H funding allocations for eligible strategies, which will outline the total amount each eligible strategy will be granted. As a part of the funding allocation process, HI formed a Measure H Planning Group with representatives from County departments, LAHSA, COGs, homeless services agencies, the faith community, and persons with lived experience. The Planning Group intends to finalize the recommended funding allocations by May 2017 and present the recommendations to the Los Angeles County Board of Supervisors in June 2017. Linda Lowry (Pomona City Manager) and Joe Lyons (Claremont Councilmember) are representing the SGVCOG on the Measure H Planning Group.

Staff is seeking general policy direction for the roll out of anticipated Measure H funds to the San Gabriel Valley. Staff recommends the following principles:

- **Coordination and Partnerships:** Partner with interested COG's to expand capacity and facilitate coordination with cities by allowing a portion of Measure H funds to be used to create in-house homeless coordinator positions. These positions would be funded through an MOU between the County and the COG; This position would coordinate and engage with cities and service providers to support the Coordinated Entry System and the Continuum of Care services for residents currently homeless and those who are at risk of becoming homeless;
- **Funding for COC's and city programs:** Currently, Continuum of Cares (CoC's) and individual cities do not receive automatic allocations. In order to encourage engagement and participation, the County should work to facilitate city's access to Measure H funds for programs that support the HI. The County should explore ways to work with CoC's to determine what portion of funds should automatically be allocated to the CoC's; and
- **Funding Distribution:** Currently, the County is proposing to allocate funds to each SPA according to the 2016 homeless count. The COG is recommending that instead of strictly using that formula the distribution of funds should be based on additional metrics in conjunction with the LAHSA homeless count to avoid funding shortfalls in SPA's which have had considerable success in combating homelessness.

These guiding principles were reviewed and recommended by the SGVCOG Homelessness Committee at their March 2017 meeting.

Prepared by: _____
Christian Cruz
Management Analyst

Approved by: _____
Marisa Creter
Assistant Executive Director

State of California
DEPARTMENT OF TRANSPORTATION

California State Transportation Agency

Memorandum

Serious drought.
Help Save Water!

To: MARK SAMUELSON
Acting Chief
Division of Local Assistance

Date: March 23, 2017

File: P1560-0016

MarSue

From: MARSUE MORRILL, CPA
Chief
External Audits – Local Governments
Audits & Investigations

Subject: **PRE-AWARD AUDIT – SAN GABRIEL VALLEY COUNCIL OF GOVERNMENTS**

Audits & Investigations (A&I) performed a Pre-award Audit of the San Gabriel Valley Council of Governments (SGVCOG) to determine whether the SGVCOG's financial management system is adequate to accumulate and segregate reasonable, allowable, and allocable project costs and to determine whether corrective action items from the prior audit report dated September 7, 2011 have been resolved. The audit period covered expenditures from February 1, 2016 through November 30, 2016.

Based on our audit, we determined the SGVCOG's financial management system is adequate to accumulate, segregate, and allocate reasonable and allowable project labor costs. SGVCOG contracts with the Alameda Corridor-East Construction Authority (ACE) to perform their financial management activities and adopts ACE's processes and procedures to perform procurement and grant management. The audit determined the SGVCOG also completed and addressed the corrective action of findings identified in A&I Incurred Cost Audit Report dated September 7, 2011. The final audit report is attached.

If you have any questions, please contact Mandy Ip, Auditor, at (916) 323-7861, or me, at (916) 323-7105.

Attachment

c: Phil Hawkey, Executive Director, San Gabriel Valley Council of Governments
Marisa Creter, Assistant Executive Director, San Gabriel Valley Council of Governments
Carlos Monroy, Director of Finance, Alameda Corridor-East Construction Authority
Aimee Kratovil, Acting Director, Financial Services, Federal Highway Administration
Tashia Clemons, Director, Program Development, Federal Highway Administration
Kara Magdaleno, Administrative Program Assistant Planning and Finance, Federal Highway Administration
Veneshia Smith, Financial Program Manager, Federal Highway Administration
Roberto Rodrigues, F.I.R.E & Program Review Coordinator, Federal Highway Administration
Erin Thompson, Chief, Office of Regional Planning, Division of Transportation Planning, Caltrans
Steve Novotny, DLAE, District 7, Office of Local Assistance, Caltrans
Lisa Gore, Associate Accounting Analyst, Division of Accounting, Caltrans
Phyllis Nahale, Audits and Federal Performance Measures Analyst, Division of Local Assistance, Caltrans
MarSue Morrill, CPA, Chief, External Audits - Local Governments, Audits & Investigations, Caltrans
Tami Gill, Audit Manager, External Audits – Local Governments, Audits & Investigations, Caltrans
Office Chron

San Gabriel Valley Council of Governments
Pre-Award Audit

Audit Report

March 2017

Caltrans

PREPARED BY:

California Department of Transportation

Audits and Investigations – MS 2

Post Office Box 942874

Sacramento, California 94274-0001

www.dot.ca.gov/hq/audits

AUDIT TEAM

MarSue Morrill, Chief, External Audits - Local Governments

Tami Gill, Audit Manager

Mandy Ip, Auditor

P1560-0016

TABLE OF CONTENTS

Summary, Objectives, Scope, Methodology, Background, and Conclusion

SUMMARY

The California Department of Transportation (Caltrans), Audits and Investigations (A&I) performed a Pre-award Audit of the San Gabriel Valley Council of Governments (SGVCOG) and found the SGVCOG's financial management system is capable of accumulating and segregating reasonable, allowable, and allocable project labor costs. SGVCOG also completed and addressed the corrective action of findings identified in A&I's Incurred Cost Audit Report dated September 7, 2011.

OBJECTIVES

Caltrans A&I performed the Pre-award Audit to determine whether the SGVCOG's financial management system can accumulate and segregate costs that are reasonable, allowable, and properly allocated to projects, which included assessing whether internal controls are in place to ensure the SGVCOG's compliance with applicable laws and regulations. In addition, our audit was performed to determine whether corrective action items from the prior audit report dated September 7, 2011 have been resolved.

SCOPE

The scope of the audit was limited to select financial and compliance activities. The audit included a review of the SGVCOG's billing procedures, procurement procedures, project management, internal controls, and accounting policies to ensure compliance with applicable Caltrans agreement provisions, and state and federal regulations. The audit also included a review of the SGVCOG's Single Audit Report for fiscal year ending June 30, 2015, review of corrective action implementation from the September 2011 audit, and inquiries of the SGVCOG's personnel. The audit included tests of individual accounts to the general ledger and supporting documentation to assess allowability, allocability, and reasonableness of costs based on a risk assessment, as well as an assessment of the internal control system as related to the financial management system as of March 20, 2017. Financial management changes subsequent to this date were not tested and, accordingly, our conclusion does not pertain to changes arising after this date. We believe that our audit provides a reasonable basis for our conclusion.

The SGVCOG is responsible for implementing internal controls and maintaining an adequate financial management system to accumulate and segregate reasonable, allowable, and allocable costs in accordance with state and federal requirements. Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, any projection or evaluation of the financial management system in future periods using the results of this audit are subject to the risk that the financial management system may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

METHODOLOGY

We conducted this Pre-award Audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the SGVCOG. Therefore, we did not audit and are not expressing an opinion on the SGVCOG's financial statements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records selected. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation.

BACKGROUND

Caltrans A&I conducts Pre-award Audits on local agencies receiving state and federal funds to determine if the agencies are complying with state and federal requirements. Caltrans requires Pre-award Audits to be performed by A&I prior to establishing a Master Agreement with agencies for state and federal funded projects.

CONCLUSION

Based on our audit we determined the SGVCOG's financial management system is adequate to accumulate and segregate reasonable, allowable, and allocable project costs. SGVCOG contracts with the Alameda Corridor-East Construction Authority (ACE) to perform their financial management activities and adopts ACE's processes and procedures to perform procurement and grant management thereby addressing and resolving corrective action items from the September 7, 2011 Caltrans A&I audit. SGVCOG also completed and addressed all the corrective action items. See Attachment 1 for corrective action analysis.

This report is intended as information for Caltrans management, California Transportation Commission, Federal Highway Administration, and SGVCOG. The report is a matter for public record and will be placed on Caltrans' website, which can be viewed at <www.dot.ca.gov/hq/audits/reports_issued.html>.

If you have any questions, please contact Mandy Ip, Auditor at (916) 323-7861, or Tami Gill, Audit Manager at (916) 323-7899.

MarSue Morrill

MARSUE MORRILL, CPA
Chief
External Audits – Local Government Agency
Audits and Investigations

March 23, 2017

ATTACHMENT I.
Corrective Action Analysis

Action Item	San Gabriel Valley Council of Governments (SGVCOG) Corrective Action Items from Caltrans September 7, 2011 audit report	Audits & Investigation (A&I) Analysis of SGVCOG's Implementation of the Corrective Action Items
1	SGVCOG will continue to be designated a high-risk agency as set forth in 49 Code of Federal Regulations (CFR), Part 18.12. The high risk designation will remain until Caltrans determines that the corrective actions are accomplished. Federal and State funds from Caltrans will not be provided to SGVCOG until the high-risk designation is repealed.	Corrective action is complete. • A&I completed and issued a pre-award audit of SGVCOG March 2017. • The objective of the audit was to: 1) Ensure SGVCOG has a financial management system capable of accumulating and segregating project costs and 2) Follow-up on the corrective action items from the September 7, 2011 audit. • The audit found the SGVCOG's financial management system is capable of accumulating and segregating reasonable, allowable, and allocable project labor costs. SGVCOG also completed and addressed the corrective action items from the Caltrans A&I audit dated September 7, 2011.
2	SGVCOG will develop and implement organizational changes to remove the conflict of interest created by Arroyo Associates, Inc., acting as Executive Director and staff for SGVCOG. The required organizational change is part of the operational plan in action #11 with the same timeframes for review and adoption.	Corrective action is complete. • SGVCOG implemented changes in their organizational structure. The conflict of interest issue was resolved as of September 30, 2015. • SGVCOG has a strategic plan that details their goals and key actions. Their mission, vision and core values statement is posted on the agency website. • SGVCOG's adopted budget for FY 2016/17 includes its annual budget; estimated revenue and

		expenditures, including personnel costs.
3	SGVCOG must undergo a follow-up audit performed by Caltrans Audits and Investigations.	Correction action is complete. • A&I completed a pre-award audit of SGVCOG March 2017. The pre-award also included follow-up to corrective action items from the September 7, 2011 audit.
4	SGVCOG shall reimburse Caltrans $36,937 paid to Arroyo Associates, Inc. Caltrans shall receive reimbursement by June 1, 2012.	Corrective action is complete. • SGVCOG reimbursed Caltrans $36,937 for funds paid to Arroyo Associates, Inc. • The check deposit date was September 6, 2012.
5	SGVCOG will provide written administrative procedures by June 1, 2012 for procurement that comply with federal and state regulations.	Corrective action is complete. • SGVCOG has adopted and implemented Alameda Corridor-East Construction Authority's (ACE) procurement policy. *A contract or project that will be funded by state and/or federal funds will be procured and administered according to ACE's procurement policy.* • The procurement policy conforms to the federal procurement standards. • A&I tested an ACE procurement transaction and determined the contract was procured in accordance with SGVCOG and ACE's procurement policy, and state and federal guidelines.

6	SGVCOG will ensure its financial management system is in compliance with state and federal rules and regulations, including procurement billings procedures, local match, and contract management procedures addressed in 49 CFR, Part 18, and 2 CFR Part 225.	Corrective action is complete. • SGVCOG utilizes ACE's financial management system for accounting, budgeting, finance and information technology and ACE staff for administrative support. • ACE's financial management system is in compliance with state and federal rules and regulations. • SGVCOG adopted ACE's Accounting and Financial policies and procedures October 20, 2016.
7	SGVCOG shall reimburse Caltrans $5,750 for unsupported consultant costs from IBI Group. Caltrans shall receive reimbursement by June 1, 2012.	Corrective action is complete. • SGVCOG reimbursed Caltrans for $5,750 for unsupported consultant costs for IBI Group. • The check deposit date was September 6, 2012.
8	SGVCOG shall develop and maintain a grant management system for federal and state funds that includes staff and management familiar with requirements of funding agreements, adequate supporting documentation for billings, and appropriate review and approval of grant invoices before they are submitted to Caltrans.	Corrective action is complete. • SGVCOG adopted an updated procurement policy on September 18, 2014. • SGVCOG utilizes ACE's Procurement Policy which states, "if any contract/project will be funded by state and/or federal funds, those contract/project will be procured and administered by ACE." • ACE currently manages state and federal transportation grants and has active transportation projects. • Tested an ACE procurement transaction and determined the contract was procured in accordance with SGVCOG and ACE's procurement policy, and state and federal guidelines.

9	SGVCOG shall maintain an adequate contract management system.	Corrective action is complete. • SGVCOG will utilize ACE for managing any state and/or federal funds projects. • Tested the payable process and determined SGVCOG maintains an adequate contract management over its professional services contract, management service contract, and legal services agreement.
10	SGVCOG shall develop and implement a project costing system that can accumulate and segregate allowable project costs and create written policies and procedures as well as controls to ensure the policies and procedures are followed.	Corrective action is complete. • SGVCOG utilizes ACE for its financial management system operations for accounting, budgeting, finance and information technology and ACE staff for administrative support. • ACE's accounting system can accumulate and segregate allowable project costs. Labor costs and receivable transactions were tested. • SGVCOG adopted ACE's accounting and financial policies and procedures as of October 20, 2016. Policies are communicated to staff through staff meetings.

11	SGVCOG will prepare an operational plan that details the agency's purpose and goals, estimated annual budget, staff resources, anticipated projects/activities, funding sources, and other pertinent information for FYs 2011/12, 2012/13, and 2013/14.	Corrective action is complete. • SGVCOG has a strategic plan that details the agency's goals and key actions. Their mission, vision and core values statement is posted on the agency website. • SGVCOG's adopted budget for FY 2016/17 includes its annual budget; estimated revenue and expenditures, including personnel costs and financial policies.