TAHOE REGIONAL PLANNING AGENCY
OPERATIONS AND GOVERNANCE COMMITTEE

TRPA/Zoom Webinar November 16, 2022

Meeting Minutes

I. CALL TO ORDER AND DETERMINATION OF QUORUM

Chair Ms. Aldean called the meeting to order at 9:45 a.m.

Members present: Ms. Aldean, Mrs. Cegavske, Ms. Diss, Ms. Hill, Mr. Hoenigman

Members absent: Ms. Gustafson

II. APPROVAL OF AGENDA & MINUTES

Ayes: [All]
Minutes approved.

III. Recommend Approval of October Financials

Mr. Chris Keillor, TRPA Finance Director, provided the presentation. He brought up a slide showing highlights for the month. Mr. Keillor said that again this month, for revenues, fees are strong and planning fees are running 22% higher than the last three record years. When we put together the budget for this year, we were assuming that higher level of planning fees. We're not going above the budget, but the differential to the budget is not as big as it was in prior years. Compensation is at 28% year to date but that's to be expected. We filled the Executive Director opening last week.

Mr. Keillor then brought up a chart showing revenues and expenses and explained that it shows that TRPA is on-track moneywise. For revenues, fees are going strong. The state funds are in. Grants are billed. We have a major debt service payment coming up in December. For expenses, labor is on track. Contracts are catching up.

Mr. Keillor then moved on to a chart showing the monthly/cumulative cash flow. Cash receipts are at $3.3 million. Some of our grants, mostly AIS grants, use a system called ASAP which works well and allows us to draw down on those funds with a shorter cycle time. So we picked up $2 million in grants in the month that they were billed in. Unfortunately most of our transportation grants come through the state and follow a much more traditional process. Disbursements are at $2.2 million and match the year to date average and are higher than prior years. This includes mitigation fees and securities.

Mr. Keillor noted that the Nevada Economic Panel met yesterday. They put together the revenue projections that form a part of the governor's budget. On the California side, they're assuming a recession and that's putting a lot of pressure on the general fund. On the Nevada side, it's a completely different structure. Nevada does not have as grim an outlook. California is heavily dependent on income tax, on high-income people, whereas in Nevada it's gaming sales and property taxes. If you peel back the layer on the sales tax you find that a lot of it is related to the hospitality industry.

As long as people keep visiting Vegas, they're optimistic they'll have a decent revenue. We've asked for several supplemental requests from Nevada. One is to bring Nevada into the 2/3, 1/3 ratio against the compact. One is to provide annual funding to Tahoe Transportation District. And then there's funding for our scanning project.

Mr. Keillor then concluded his presentation and asked for questions.

Committee Comments & Questions

None.

Public Comments & Questions

None.

Mrs. Cegavske made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Aldean

Members absent: Ms. Gustafson, Ms. Hill

Motion carried.

IV. Recommend approval for the Inflation Adjustment to TRPA Rental Car Mitigation Fee

Ms. Kira Smith, TRPA Senior Planner for Transportation, provided the presentation. Ms. Smith began by saying that the rental car mitigation program was first adopted by the TRPA Governing Board in 1993 to offset impacts by rental cars in the Basin and to mitigate vehicle miles travelled. Ms. Smith explained that the current fee is $5.50 per day per car, which was adopted in 2009. The fees are collected by TRPA and then passed through to the Tahoe Transportation District for support of transit services. The 2022 change in the Consumer Price Index for the San Francisco region was 6.8%. Per the existing rules of procedure, a 6.8% increase raises the mitigation fee to $5.75. Mitigation fees will continue to be passed through to the Tahoe Transportation District to support transit. This increase was already approved by the TTD at their September board meeting.

Ms. Smith concluded her presentation and asked for questions.

Committee Comments & Questions

Ms. Aldean commented that TRPA and the Board may want to consider at some point incentivizing the use of electric rental vehicles by lessening or eliminating the fee to rent electric rental vehicles when travelling to the Basin.

Ms. Smith said that they are planning to update this section of the code to be able to change the rate annually due to inflation, rather than relying on the Consumer Price Index, and that when they do, they can also look into incentives for electric vehicle rentals.

Mrs. Cegavske asked why we use San Francisco's Consumer Price Index, and also, with electricity costs going up, are we sure we want to make any changes for the electric cars?

Mr. Keillor answered that this is the only mitigation fee for which our rules of procedure specify that we use the Consumer Price Index. We will at some point move towards removing the use of that index, or else normalizing all mitigation fees so they all use the same index. Mr. Keillor added that we're using the San Francisco metropolitan area Consumer Price Index, so the only area in Nevada that would have a metropolitan CPI would be Las Vegas. This is one reason we wanted to move everything to the Western States Index, which actually includes Tahoe and both sides of the border.

Ms. Aldean answered that the topic of whether to incentivize electric vehicle use may be part of a broader conversation, where ultimately it may be decided to not make an exception for EVs.

Mr. Hoenigman asked whether we should make these fees in the future be automatically adjusted for inflation to make them consistent year to year.

Ms. Hill agreed with Mr. Hoenigman and asked if there is any way to make it automatic so staff don't have to put it on their calendar. It's very important to make sure we get every dime to the TTD and don't miss any opportunities.

Ms. Aldean pointed out that there may not be any rental car establishments on the Nevada side of the Lake.

Mr. Keillor added that we're re-examining what constitutes a rental car establishment. Further, if we wanted to make the fee adjustment be automatic, that would require TTD approval as well.

Mrs. Cegavske added that she would like the topic of electricity to be brought up when the rental car mitigation fee topic is revisited.

Public Comments & Questions

None.

Ms. Hill made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Hill, Ms. Aldean

Members absent: Ms. Gustafson

Motion carried.

V. Recommend approval of the California Tahoe Conservancy Request for Release of $3,700,000 in Excess Coverage Mitigation (ECM) Funds for the Land Bank Acquisition

Ms. Jen Self, TRPA Principal Long-Range Planner, provided the presentation, saying that Kevin Prior of the California Tahoe Conservancy is also on the line to answer any questions.

Ms. Self reminded the Committee that last month, she and Mr. Prior provided an overview of the Land Bank and the mitigation fund program, as well as an in-depth overview of this acquisition, also known as the Motel 6 property. Ms. Self said that today we're asking you to take action on this item. She then summarized the request, which is the release of $3.7 million from the Excess Coverage Mitigation program funds. The potential acquisition is a 31-acre site including Motel 6 in South Lake Tahoe and a targeted stream restoration area. The use of funds would be for site acquisition and stabilization, and for administrative purposes. Ms. Self explained that the total amount of the acquisition would exceed the amount being requested today, so other funding sources being used are the California Department of Fish and Wildlife, the California Conservation Board, and others. The acquisition is not complete yet and negotiations are ongoing. Releasing of the mitigation funds would make the Land Bank competitive in their offers. If the funds are released they will be placed in an escrow account and unavailable until after the close. The transactions would be recorded at invoicing and approved at staff level. The use of those funds is in conformance with a jointly adopted MOU between the Land Bank and TRPA. In the event the purchase doesn't go through, all the funds would be transferred back to the Mitigation Fund.

Ms. Self concluded her presentation and asked for questions.

Committee Comments & Questions

Ms. Aldean asked whether the offer being made by CTC is likely to be accepted.

Mr. Kevin Prior, Director of Lands at the Tahoe Conservancy, explained that they are still in ongoing negotiations and the status has not changed much yet since last month's update at this Committee meeting. Mr. Prior said they are reviewing their appraisal to make sure it's competitive.

Public Comments & Questions

None.

Mr. Hoenigman made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Hill, Ms. Aldean

Members absent: Ms. Gustafson

Motion carried.

VI-XIII. Approval of the FY22-23 State of Good Repair Project Lists for the Tahoe Transportation District and Tahoe Truckee Area Regional Transit; Allocation of FY 2022-2023 Transportation Development Act Funds to TRPA, the Tahoe Transportation District, and Tahoe Truckee Area Regional Transit

Ms. Kira Smith, TRPA Senior Planner for Transportation, provided the presentation. Ms. Smith opened with some background on the Transportation Development Act. She explained that the Act, developed in 1971, provides funding from California for transit capital and operations. The program is administered by the Regional Transportation Planning Agencies. The allocations are calculated by population, ridership, and service provided.

There are three funding sources: 1) the local transportation fund (LTF), derived from a ¼ cent general sales tax; 2) state transit assistance (STA), derived from statewide sales tax on gasoline; and 3) the State of Good Repair (SGR), funding from the Road Repair and Accountability Act of 2017 (SB1). Ms. Smith then explained that the two transit operators, TART (Tahoe Truckee Area Regional Transit) and TTD (Tahoe Transportation District) submit claim applications for these funds and TRPA approves them and recommends approval at the Governing Board. Today we are asking for approval of the FY2022-2023 funds.

Ms. Smith concluded her presentation and asked for questions.

Committee Comments & Questions

Mr. Hoenigman asked whether unused funds are still held in an account and then used at a later date.

Ms. Smith explained that funds do not lapse at any point, but rather can be rolled over by the transit operator and used from year to year.

Public Comments & Questions

Mr. Carl Hasty, District Manager of the Tahoe Transportation District, commented that these are very important funds for TTD as they help leverage federal dollars and provide a match source to those federal dollars. He said they are very appreciative of what California provides and allows them to return to the communities, and they ask for the Committee's support.

Ms. Aldean made a motion to recommend approval of: 1) the FY 2022-2023 State of Good Repair project lists for TART and TTD (item VI); 2) the allocation of FY 2022-2023 Transportation Development Act funds (LTF, STA, and SGR funds) to TRPA, TTD, and TART (items VII-XIII).

Public Comments & Questions

None.

Ms. Hill made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Hill, Ms. Aldean

Members absent: Ms. Gustafson

Motion carried.

XIV. Recommend approval of Amendment No. 1 of the FY 2022/23 Lake Tahoe Transportation Overall Work Program

Ms. Michelle Glickert, TRPA Transportation Planning Program Manager, provided the presentation. Ms. Glickert explained that the tasks and budget outlined in the Transportation Planning Overall Work Program (OWP) are prepared annually and folded into the TRPA Operations Work Plan prepared by the TRPA Chief Operating Officer and reviewed with the Board annually.

Ms. Glickert explained that as the Tahoe Metropolitan Planning Organization (TMPO) is a recipient of federal funds, they must formally amend the OWP from time to time throughout the fiscal year via resolution from the Board. Preparation of the OWP starts around February for May approval. As such, many of the revenue sources must be estimated based on anticipated work to be completed. This is identified as carryover funding. Once the fiscal year closes, we receive our final budget around September, and amend those funds back into our OWP budget. This amendment addresses the reconciliation of carryover funds. Ms. Glickert showed a slide detailing the breakdown of the budget reconciliation of $233,464 being brought back into the budget. The amounts for the reconciliation include: 1) $25,000 for Work Element (WE) 102, TDA Administration; 2) $86,631 for WE 104, Regional Intermodal Planning to support Safety Strategy, ATP and Equity Planning Studies; 3) $58,979 for WE 105, Data Management and Forecasting; and 4) $62,854 for WE 108, Regional Intermodal Planning to advance the final regional funding strategy. These changes will not impact staff budget or priorities.

Ms. Glickert concluded her presentation and asked for questions.

Committee Comments & Questions

None.

Public Comments & Questions

None.

Mr. Hoenigman made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Hill, Ms. Aldean

Members absent: Ms. Gustafson

Motion carried.

XV. Recommend approval to Authorize Executive Director to submit an application to the California Department of Housing and Community Development for the MPO allocation of Regional Early Action Planning (REAP) funds

Ms. Karen Fink, TRPA Long Range and Transportation Senior Planner and Housing Ombudsman, provided the presentation. Ms. Fink began by reminding the Committee that in September, she came before the Committee to request authorization to apply for the advance for these funds, and now she's here to request authorization to apply for the balance of the remaining funds in the amount of $567,000. Ms. Fink said the REAP program seeks to accelerate regional housing goals and climate commitments. As the MPO for the region, TRPA plans to use the funds to advance the priorities of the Tahoe Living, Housing and Community Revitalization Working Group. Ms. Fink said there is another competitive opportunity under the REAP program called the Higher Impact Transformative Grant, whose applications can be for between $1 million and $10 million, and we're currently working with our partners to draft an application to that program as well and will be coming back here in December to request your authorization to apply for that.

Committee Comments & Questions

Ms. Aldean pointed out that we had a cash advance allocation from these funds for $37,000 to pay for time to develop the full application and is assuming that will pay for additional staff time to work through the process.

Ms. Fink said that was correct.

Public Comments & Questions

None.

Ms. Hill made a motion to recommend approval.

Ayes: Mrs. Cegavske, Ms. Diss, Mr. Hoenigman, Ms. Hill, Ms. Aldean

Members absent: Ms. Gustafson

Motion carried.

XVI. Principal Financial Group Investment Review

Mr. Chris Keillor, TRPA Finance Director, briefly outlined the topic for discussion. He explained that TRPA holds onto substantial amounts of cash that are not directly available for TRPA purposes and are being held for other people, specifically mitigation funds such as the ones we discussed earlier today, as well as almost $5 million in project security fees which are returned to project applicants. In addition we get our state monies at the beginning of the year and then spend it down over the course of the year. So we've broken up this money into three pieces: the working capital portion which is invested in the LAIF program run by the California treasurer; also a small amount of money invested with the Nevada LGIP program; and then this group which runs about $12 million. We haven't done any drawdowns on it since I've been at the Agency. The mitigation funds and securities tend to be stable in terms of inflow and outflow. Originally we were with Wells Fargo; however Wells Fargo has had some issues and they sold off this piece to the principal group. So we now have a principal group account. So I'd like to introduce Bruce Remington of the principal group.

Mr. Bruce Remington, Senior Portfolio Strategist of Principal Global Advisors, provided the next part of the presentation. Mr. Remington opened with an economic and market review. A synchronized global economic downturn is underway after COVID and the Ukrainian situation, as well as the disruption to energy prices. Inflation is not due to Mr. Biden; rather, it is a worldwide problem. The U.S. is in better shape than the rest of the world. Global inflation will only decline at a painfully slow pace. The global central bank is tightening and has further to go. Rates are being raised. It's like taking chemotherapy, it's deadly on the individual but without it you don't survive. So the Fed will continue to be aggressive. This directly hits the portfolio. This is an ugly, difficult market. Equity markets have further to slide. Fixed income investors should seek safety and high quality. Challenged equity and fixed income markets create a positive backdrop for real assets.

Mr. Remington then briefly explained that both bonds and equities delivered negative returns year to date. September was the largest one-month loss for the S&P 500 index since March of 2020. The second quarter of 2022 was the worst market for U.S. Treasury bonds since 1789, and most of that was due to the spending to counteract COVID. It's a scared market with rising interest rates and a softening economy. Mr. Remington then went on to the history of interest rates and how they've changed in recent years. The start of the shutdown due to COVID was late March of 2020. By September, after six months of aggressive government intervention, bond rates were down, the lowest rates in years. In 2021 they started to recover. Then in January and February of 2022 at the start of the Ukrainian war, the bonds went way down again, having a very severe impact. We have an inverted yield curve.

Mr. Remington then showed slides depicting cash flow and portfolio performance and profile. The beginning market value at three month was $11,812,158 and the ending market value at three month is $11,806,049. As of Friday the account is at $11,787, 963. Mr. Remington said that for portfolio performance, compared to the market we are in really good shape. We run short high-quality bonds. The total performance for the quarter, we're down 0.05% year to date. We're down 0.94% net. Our benchmark was down 363. We've had a mix of short high-quality bonds giving us a good coupon. When this whole bloodbath started in the bond market we were positioned as good as we could possibly have been. A lot of that is me working with Mr. Keillor. We hold the bonds to maturity. That has paid off in spades. When we looked at this portfolio one year ago at this meeting we were lagging. We're caught up now. A conservative approach has paid off. Rule one, don't lost money; rule two, do the best you can. For the quarter we were up 0.07%. Year to date we're now down 0.87%, the benchmark is down 3.73. How are we currently structured? For option adjusted duration, we're significantly short relative to the benchmark. When we saw that yield curve go inverted, the vast majority of our bonds were shorter than that, and we didn't get hurt. We're not going to default. The bulk of the bonds we have in this portfolio are treasury and agency. Right now the yield pickup on agency paper is two or three basis points. I'm not going to sacrifice liquidity to pick up two one hundredths of a percent. Until 2005, you could. After 2008, that spread narrowed. Not worth the risk. We're slightly overweighted relative to the benchmark. I've been able to pick up a little yield. For maturity breakdown, we're about 80%. I'm starting to link them to maturities. Buying two or three year bonds. Now is the time to buy them. We have lower exposure to corporates, higher exposure to treasuries, the last of our agency paper has matured and been rolled into treasuries, so we've got a pretty bomb-proof portfolio. For option adjusted yield to worst, that is what would happen if some of the bonds were called, that might reduce our return. The worst scenario right now would be a 76 option adjusted yield. So we're in really good shape. You've been so safe and so careful for so long, and people start to wonder, gee, should we be taking a little bit more of a risk. This bites everyone in the tail. We're in really good shape. The money's there, it's safe. I invested in high quality securities. If we go into a recession and you see interest rates come down, you'll probably get some capital gain. If we see bond rates continue to rise, we may shift the portfolio into higher paying coupon. Eventually, as the inflation genie gets put back in the bottle, you're going to want to hold those high coupon bonds in a falling rate environment. This approach worked the best in 1980 to 1982. We stay short and liquid, so we're in really good shape.

Mr. Keillor added that the investment policy is modeled after the two states, so that caps us at about five years. Also, a lot of this money is mitigation funds, and we pay interest, and that goes to the local jurisdiction that draws down on that. So that's one reason we don't want to lose money out of the pool; we don't want to go to the jurisdictions and say, oh, your money just dropped in value because of the negative interest.

Mr. Remington added that the bank stocks are sensitive to interest rates. The job that banks have is lending money at a higher rate than what they borrow it at. So for banks to issue bonds at a 3% coupon, and then lend that money out at 5% or 6% as a mortgage or a corporate loan, they pick up on the spread. The problem banks have been having is with inflation below 2%, treasury bonds yielding 1.5%, there's no flexibility for them to pick up any kind of spread. We own the bank bonds, and there we have a fixed maturity, which in this case is very short. We have a fixed coupon. It's not unlike us paying on the car loan. The car is there as collateral. I have to pay the principal and interest on the automobile until the loan expires, and then the bank turns around and lends on another car. In this environment, they're charging a higher rate for the car loan. That's why we own the bonds. Banks are 53% of the short term index. Our representation of bank bonds in this portfolio is reflective of the market.

Mr. Remington wrapped up his presentation, saying the shift to principal has been great. With Wells Fargo, this was an ancillary part of the business, and with principal it's a huge part of our business. Great people. We love working with you.

Committee Comments & Questions

None.

Public Comments & Questions

None.

XVII. Upcoming Topics

Mr. Chris Keillor, TRPA Finance Director, provided the upcoming topics presentation. For future Operations and Governance Committee meetings, on the agenda for December is the TRPA Fiscal Year 2022 Audit. For future Operations and Governance Committee meetings, topics will include the mitigation fee increases in February, probably at the RPIC meeting. Also, the financial policy updates. As for the building improvements, the roof is done, the lobby is done. The one problem is the retaining wall; it will cost us a little more than we expected.

Committee Comments & Questions

Ms. Hill asked whether there is an opportunity to look at the rent we charge TTD. Is there any opportunity for flexibility in terms of the rental cost?

Mr. Keillor said we don't technically have a lease with TTD, but rather a separate building fund. There's also an additional surcharge for shared expenses, which TTD agreed to. I wouldn't say there's much of an opportunity there. It's pretty stable. We haven't changed anything for at least four or five years. We can look at that. We can bring it back as an informational item.

Public Comments & Questions

None.

XVIII. Committee Member Comments

Mrs. Cegavske thanked the staff for their work and their help with these meetings on behalf of Scott Anderson, her Chief of Staff, and herself.

Ms. Aldean said we don't thank the staff enough, and obviously they're the brick and mortar, so we appreciate them.

XIX. Public Interest Comments

None.

XX. ADJOURNMENT

Ms. Hill made a motion to adjourn.

Ayes: [All]

Chair Ms. Aldean adjourned the meeting at 11:10 a.m.

Respectfully Submitted,

Georgina Balkwell

Georgina Balkwell
Senior Management Assistant
Current Planning Division

The above meeting was recorded in its entirety. Anyone wishing to listen to the recording of the above mentioned meeting may find it at https://www.trpa.gov/meeting-materials/. In addition, written documents submitted at the meeting are available for review. If you require assistance locating this information, please contact the TRPA at (775) 588-4547 or virtualmeetinghelp@trpa.gov.