



METROPOLITAN  
TRANSPORTATION  
COMMISSION

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## *Memorandum*

TO: Commission

DATE: June 15, 2016

FR: Executive Director

RE: Approval of the Implementation Action Plan for MTC/ABAG Merger Study Option 7 and Related Financial Actions

Last month, the Commission approved MTC Resolution No. 4245, which established policy support for the MTC/ABAG Merger Study Option 7, consolidation of all MTC and ABAG staff functions within MTC and consideration of new governance options. The ABAG Executive Board took a similar action as formalized through ABAG Resolution 07-16. Transitioning from this significant policy action to implementation of an integrated staff requires that numerous additional details be worked out. Management Partners began that effort by preparing an Implementation Action Plan (IAP) that identifies those next steps.

This item seeks four discrete actions, as summarized below, related to establishing the roadmap for implementing Option 7, providing ABAG financial support during the transition, and carrying out the necessary due diligence described in the IAP.

- 1) Approval of the Implementation Action Plan (IAP) to guide Option 7 implementation (the consolidation of all staff functions of MTC and ABAG within MTC under one executive director and consideration of new governance options)
- 2) Approval of a \$1.9 million funding agreement to support existing ABAG planning functions through December 31, 2016
- 3) Approval of a \$250,000 contract with Public Financial Management to support financial due diligence called for in the IAP.
- 4) Approval of a \$250,000 contract with Orrick, Herrington & Sutcliffe for legal due diligence called for in the IAP.

In addition, staff will seek other consultant assistance to support key IAP areas, such as human resource/employee relations analysis and review and a facilitator and advisor to assist with various elements of the IAP. Besides the two consultant engagements listed above, the remaining contracts are expected to be approved within the Executive Director's approval authority. We further expect that one of those additional contracts will be with Management Partners to continue to serve in the facilitator/advisor role as we enter this transition phase. As a reminder, the FY2016-17 MTC budget sets aside a reserve of \$1 million for consultant assistance related to IAP activities.

**Implementation Action Plan**

The Joint MTC Planning and ABAG Administrative Committees approved and forwarded the IAP to the Commission and Executive Board for consideration and approval to further guide transition activities. The IAP (Attachment A) calls for more in-depth due diligence, now that MTC and ABAG support the policy direction of Option 7. In particular, the IAP identifies the following general action areas and implementation steps:

- A. *General Agreements/Option 7 Policy Support*: Achieving policy support for Option 7 and a consensus regarding the general framework, schedule and plan for its implementation.
- B. *Contract for Service*: Conducting a financial and legal analysis of the impact on both MTC and ABAG of consolidating all staff functions within MTC and developing a contract for service if determined to be feasible.
- C. *Memorandum of Understanding*: Establishing a time frame for future consideration of governance options.
- D. *Human Resources*: Establishing the compensation and benefit structure for ABAG employees to be transitioned to a consolidated agency.
- E. *General Administration*: Establishing a work program for general administrative activities following execution of a contract for service.
- F. *Planning Programs and Services*: Developing an integrated work program for Plan Bay Area and establishing a unified planning team positioned to address the region's planning priorities.

**Funding Agreement to Support ABAG Planning Functions**

Based on the funding level to support the existing ABAG planning functions set forth in the multi-year framework of June 2014, staff is proposing to enter into a funding agreement with ABAG in an amount of \$1.9 million for the period from July 1, 2016 to December 31, 2016. The funding sources to support the agreement are listed below:

General Fund/TDA Planning	\$650,000
FTA 5303 (Toll Credit)	\$128,565
FHWA PL (Toll Credit)	\$557,793
STP	\$563,642
<b>Total</b>	<b>\$1,900,000</b>

ABAG and MTC staffs have met to discuss the general scope of work for FY 2016-17 as outlined in Attachment B. The Overall Work Program will need to be amended to reflect that ABAG will be the lead on the scope of work through December 31, 2016, as a placeholder was left in the OWP based on MTC Resolution 4210 and the pending MTC/ABAG Merger Study.

I request that the Commission authorize me to enter into the funding agreement with ABAG as detailed in Attachment C.

**Approval of Financial Contracts to Support IAP and Concurrence Assistance Approach**

There are four general areas that staff recommends obtaining consultant assistance to conduct the tasks identified in the IAP: 1) financial review and due diligence; 2) legal review and analysis; 3) overall facilitator and advisor; and 4) human resources – classification, compensation, benefits, and organizational alignment.

Staff is recommending your approval of the financial review and legal analysis contracts today, as described below and detailed in Attachments D and E, as they exceed my approval authority. For the remaining areas, staff expects the budget to fall below my contract approval authority of \$200,000.

<b>IAP Focus Area</b>	<b>Consultant</b>	<b>Expected Budget Limit</b>
Financial Review and Due Diligence	Public Financial Management	\$250,000
Legal Review and Analysis	Orrick, Herrington & Sutcliffe LLP	\$250,000
Overall Facilitator and Advisor	Management Partners (to be confirmed)	TBD
Human Resources	TBD	TBD

***Public Financial Management (PFM) - \$250,000***

Staff is requesting approval of Public Financial Management (PFM) to conduct the financial analysis due diligence of ABAG, in accordance with the IAP. PFM is recommended on a sole source basis based on their experience evaluating government operations and as the largest municipal finance advisors in the United States. The proposed cost for the project is \$250,000 with completion expected in October.

PFM was recently awarded a third five-year contract to act as BATA’s financial advisor. However, PFM has a significant government and budget analysis practice with offices in San Francisco. The proposed engagement staff include experience in:

- A former employee of the Sacramento Area Council of Government (SACOG).
- Experience working with ABAG on housing and sustainability planning.
- A former director of labor negotiations with the City of Philadelphia.
- Long range financial planning.
- Experience with ABAG’s “Development without Displacement” program through UC Berkeley.
- A practice manager in PFM’s Center for Retirement Finance.

These skills, combined with our own experience with their financial advisory experience, make PFM uniquely qualified to conduct the complex operational and financial analysis needed to undertake this task. PFM is being retained to conduct financial and operational analysis for the initial part of an integration plan including:

- Revenue/expense trends
- Analysis of grants, transfer and renewal options
- Projected revenue/expense trends
- Enterprise
- Long term liabilities and liability management

PFM will evaluate the overall financial viability of ABAG and its operating components. In addition, PFM will evaluate immediate and long term risk, then develop options and alternatives for dealing with such risks. PFM is not being retained to document or evaluate internal controls, integrate and convert financial and budget systems, or conduct a closing audit of ABAG. These tasks will be developed by others and undertaken only after the financial analysis is completed and presented to the Commission. This project will begin immediately.

***Orrick, Herrington & Sutcliffe LLP - \$250,000***

Staff is requesting approval of Orrick, Herrington & Sutcliffe LLP (“Orrick”) to conduct the legal analysis due diligence of ABAG, in accordance with the IAP. Orrick is recommended on a sole source basis based on its status as BATA’s bond counsel and its experience advising governmental issuers of public securities, as well as its deep and broad range of expertise in mergers and acquisitions and employee benefits. Orrick is also consistently ranked the number one bond counsel firm in the country. The proposed cost for the project is \$250,000 with completion expected in October.

Orrick was awarded a fourth five-year contract to act as BATA’s bond counsel in March 2014. Orrick has significant government, mergers and acquisitions and employee benefits practices with offices in San Francisco. The proposed engagement staff include experience in:

- Compensation and benefits attorneys with decades of experience in all aspects of employee benefits related to the design, implementation, operation and any related fiduciary obligations with respect to tax-qualified retirement plans.
- Corporate attorneys specializing in mergers and acquisitions, with extensive experience conducting legal due diligence on “target” entities.
- Chair of Orrick’s Tax Department and co-Chair of Orrick’s Public Finance Department.
- More than two decades of experience working with MTC and BATA, including as BATA’s exclusive bond counsel.
- Experience and familiarity with ABAG’s programs and senior staff.


These skills, combined with our own experience with their bond and finance counsel work, make Orrick uniquely qualified to conduct the complex legal analysis needed to undertake this task.

Orrick is being retained to conduct legal analysis including:

- Impacts on ABAG and MTC staff under the Option 7 consolidation
- Identification of legal requirements pertaining to ABAG's programs and services
- Review of legal constraints/parameters for continuing grants
- Identification of legal issues that must be addressed in a consolidated agency
- Identification of legal services that may be provided by MTC legal counsel regarding the ABAG work program and those that may need to be provided by outside legal counsel; estimation of costs
- Assessment of ongoing financial costs related to ABAG's obligations to existing employees; determination of range of options between leaving liability with ABAG to fully assuming it in the MTC contract for services

**Next Steps**

Staff will coordinate with ABAG staff on the IAP, if approved, and report progress and milestones through various committees and as directed by the Chair. The overall milestone for all of this due diligence work is to enable ABAG staff to transition to MTC employment by January 2017.



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Steve Heminger

**Attachments:**

Attachment A: Management Partners Proposed Implementation Action Plan

Attachment B: FY 2016-17 ABAG/MTC Funding Agreement General Scope of Work

Attachment C: MTC/ABAG Funding Agreement Approval Request

Attachment D: PFM Contract Approval Request

Attachment E: Orrick Contract Approval Request

## Attachment A

# Metropolitan Transportation Commission and Association of Bay Area Governments Consolidation of all Staff Functions and Pursuit of New Governance Options (Option 7) – Proposed Implementation Action Plan

May 17, 2016



Management  
Partners



## Introduction to the Implementation Action Plan

Management Partners has developed this proposed Option 7 Implementation Action Plan (IAP) to assist the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Governments (ABAG) with the implementation of Option 7 (full functional consolidation of staff and the pursuit of a new governance options). On April 22, 2016, Option 7 was recommended by the Joint Committee comprised of members of the MTC Planning Committee and ABAG Administrative Committee. The purpose of the IAP is to set forth a process to *guide* the respective agencies as they move forward. It is intended as a tool that the agencies may use to help plan the process; as a tool the dates and actions listed may be modified as the process moves forward.

The general approach to the IAP is predicated on the following:

1. Gaining policy support for Option 7
2. Conducting a due-diligence analysis leading to a possible Contract for Service and Memorandum of Understanding (MOU)
3. Establishing a process by which employees will be engaged early and in-depth.
4. If a contract for service is executed, transitioning ABAG employees.
5. Implementing general administrative activities to support the contract for service.
6. Integrating the ABAG work program into the MTC organization.

The Implementation Action Plan is organized around the following major objectives with specific Action Areas and general implementation steps set forth in each category:

- A. *General Agreements/Option 7 Policy Support:* Achieving policy support for Option 7 and a consensus regarding the general framework, schedule and plan for its implementation.
- B. *Contract for Service:* Conducting a financial analysis of the impact on both MTC and ABAG of consolidating all staff functions within MTC and developing a contract for service if determined to be feasible.
- C. *Memorandum of Understanding:* Establishing a time frame for future consideration of governance options.
- D. *Human Resources:* Establishing the compensation and benefit structure for ABAG employees to be transitioned to a consolidated agency.
- E. *General Administration:* Establishing a work program for general administrative activities following execution of a contract for service.

F. *Planning Programs and Services*: Developing an integrated work program for Plan Bay Area and establishing a unified planning team positioned to address the region's planning priorities.

The work involved to implement the steps described in each Action Area must be integrated into the other work of the agency's divisions, with appropriate assignments of lead responsibility for implementation and with the identification of more specific planned completion dates. To convert this draft to a final Action Plan, each agency will need to identify more specific target dates for completion of implementation. In doing so, modification of the described activities for implementing an individual action area based on knowledge of what will be required for completion, or to adjust the assignment of responsibility based on workload or other considerations may be required. Prudent implementation of most steps requires "circling back" after implementation and fine-tuning the implementation steps as determined to be necessary. The steps to do that are not spelled out for each item in this document on the assumption that it would be part of each agency's management system for any newly implemented action.



## A. General Agreements

*Objective: To achieve consensus regarding the general framework, schedule and plan for implementation of Option 7.*

No.	Action Area	General Implementation Steps	Completion Goal Date	Framework and Schedule	Lead Implementation Responsibility	Comments
A1.	<b>Option 7 Policy Support</b>	<ul style="list-style-type: none"> <li>• Adopt resolutions expressing support of Option 7 and direct staff to:                             <ul style="list-style-type: none"> <li>(a) Enter into a letter agreement to support ABAG planning services pending development and execution of a Contract for Service.</li> <li>(b) Conduct financial and legal analyses to determine the impact on both ABAG and MTC of a staff consolidation (see Item B5 below for implementation details).</li> <li>(c) Enter into negotiations and establish a deadline for:                                     <ul style="list-style-type: none"> <li>i. A multi-year contract for service that consolidates staff under one executive director and provides staffing for all ABAG statutory duties and responsibilities as the region's COG</li> <li>ii. A memorandum of understanding(MOU) to pursue new governance options within a specified time period</li> </ul> </li> </ul> </li> </ul>	June 30, 2016  July 2016  October 2016  September to October 2016		Agency Executive Directors   Agency Executive Directors	Policy action will be required by the Metropolitan Transportation Commission and the ABAG Executive Board.
A2.	<b>Implementation schedule</b>	<ul style="list-style-type: none"> <li>• Develop a schedule for the development and execution of Contract for Service and MOU (to be simultaneous)</li> <li>• Develop detailed action plan for assessment of and implementation of Contract for Service</li> </ul>	July 2016  July 2016		Agency Executive Directors	
A3.	<b>Joint Agency Commission/Board Chairs</b>	<ul style="list-style-type: none"> <li>• Request Commission/Board Chairs or designees to work with respective agency staff, legal counsel and a project manager/facilitator on the Contract for Service and MOU</li> </ul>	July 2016		MTC Chair and ABAG President	
A4.	<b>Employee Relations</b>	<ul style="list-style-type: none"> <li>• Establish a joint employee/management committee with</li> </ul>	July - September		Agency Executive	HR Directors, employee group

No.	Action Area	General Implementation Steps	Completion Goal Date	Lead Implementation Responsibility	Comments
A5.	<b>Communications Plan</b>  (See also Section D, Human Resources regarding Employee Transitions)	<ul style="list-style-type: none"> <li>• Document each agency's existing policy structure, roles, and responsibilities, and clarify intent to maintain them until and unless there is a successor governance structure; include as part of a communications plan to Bay Area cities and counties</li> <li>• Develop a communications plan regarding proposed consolidated staff agency and MOU to communicate with:                             <ul style="list-style-type: none"> <li>➢ Agency employees and retirees</li> <li>➢ Bay Area cities and counties</li> <li>➢ Grantor and grantee agencies</li> <li>➢ Enterprise and other associated JPAs</li> <li>➢ Non-governmental organizations</li> <li>➢ Other partner agencies who may be impacted by the staff consolidation</li> </ul> </li> </ul>	2016	Directors	and collective bargaining representatives will also be involved.
				MTC and ABAG Executive Board  Deputy Executive Directors	Respective agency public information staff will need to work together to generate a unified communication plan that is agreed upon by both agencies.

## B. Contract for Service

*Objective: To conduct a financial analysis of the impact on both MTC and ABAG of consolidating all staff functions within MTC and develop a contract for service if determined to be feasible.*

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Financial Analysis (Due Diligence)</b>					
<b>B1.</b>	<b>Financial analysis</b>	<ul style="list-style-type: none"> <li>• Conduct financial analysis to determine ABAG annual:                             <ul style="list-style-type: none"> <li>➢ Revenues</li> <li>➢ Expenditures</li> <li>➢ Unfunded pension liabilities</li> <li>➢ Existing and future retiree costs</li> <li>➢ Enterprise costs</li> <li>➢ Assets and liabilities</li> <li>➢ Debt obligations</li> </ul> </li> <li>• Draft five-year revenue forecast showing projections available to meet ABAG obligations, contract services and program costs under a consolidated staff agency</li> <li>• Complete an actuarial study of ABAG pension obligations; meet with CalPERS to understand impact and implications of transitioning all ABAG employees to MTC</li> <li>• Document ongoing employee costs that will remain the obligation of ABAG JPA (e.g., pension liability, and those to be assumed by MTC)</li> </ul>	October 2016	Agency Finance Directors	
<b>B2.</b>	<b>Programs and services</b>	<ul style="list-style-type: none"> <li>• Analyze program, service, grant administration or enterprise costs unrelated to direct personnel expenditures</li> <li>• Determine ongoing costs for a consolidated agency</li> </ul>	October 2016	Deputy Directors/Agency Finance Directors	Some programs may not stay with ABAG under a consolidated agency; however, there may be transition costs.

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
B3.	<b>Cost allocation and budget</b>	<ul style="list-style-type: none"> <li>Develop financial assumptions, including a cost allocation plan, and projections of revenues and expenditures</li> <li>Draft estimated five-year ABAG budget to meet agreed upon service contract costs</li> <li>Evaluate impact of proposed cost structure on MTC's budget</li> <li>Review proposed budget and contract costs with Commission/Board Chairs and respective agency policy bodies</li> </ul>	October 2016	Agency Finance Directors	
<b>Contract Development</b>					
B4.	<b>Contract development team</b>	<ul style="list-style-type: none"> <li>Assign principal staff member from each agency to lead contract development</li> <li>Hire a third-party facilitator or project manager to work with both agencies to implement the work program</li> <li>Establish a joint agency staff committee responsible for working with Commission/Board Chairs, legal counsel on the draft contract</li> <li>Agree on timeframe for contract development and execution, e.g., three months</li> </ul>	July 2016	Agency Executive Directors	The core staff committee may be supplemented as necessary with various subject matter and program area experts. Legal counsel will also be involved in contract discussions.
B5.	<b>Contract scope of services</b>	<ul style="list-style-type: none"> <li>Inventory ABAG administrative, planning and program services and enterprise functions for inclusion in the contract</li> <li>Identify legal requirements related to ABAG's programs and services, timelines for performance, and existing work programs and activities in support of those requirements</li> <li>Meet with grantor agencies to determine interests, legal constraints and parameters for continuing grant programs in a consolidated staff agency</li> <li>Meet with ABAG JPAs to understand financial status, determine interests, legal constraints and parameters for continuing enterprise functions in a consolidated</li> </ul>	September 2016	Deputy Executive Directors; Joint staff committee	

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
		<ul style="list-style-type: none"> <li>staff agency or in an alternative institutional arrangement</li> <li>Develop outline of scope of services proposed to be included under the contract</li> </ul>			
<b>B6.</b>	<b>Executive Level Organization Structure</b>	<ul style="list-style-type: none"> <li>Assess administrative and management staff support needs for a consolidated staff agency to support the ABAG JPA policy and committee structure and member agencies</li> <li>Draft roles and responsibilities and establish reporting relationships of executive director, any new executive level or other positions to meet the needs of ABAG as an ongoing COG and policy body</li> <li>Draft proposed executive level organization structure to support ABAG Executive Board and Committee needs; review with ABAG Executive Board</li> <li>Include proposed executive level organization structure, and general description of roles and responsibilities in services contract</li> </ul>	September 2016	Board Leadership Team	
<b>B7.</b>	<b>ABAG Work Program</b>	<ul style="list-style-type: none"> <li>Develop a work program expected to be carried out annually under the Contract for Services</li> <li>Develop policies and procedures for changes to the work program</li> <li>Review with ABAG Executive Board and Committees</li> </ul>	October 2016	Deputy Directors	
<b>B8.</b>	<b>Legal Assessment</b>	<ul style="list-style-type: none"> <li>Identify legal issues that must be addressed in a consolidated staff agency</li> <li>Identify legal services that may be provided by MTC legal counsel regarding the ABAG work program, and those that may be provided by outside legal counsel; estimate the cost for doing so</li> </ul>	October 2016	Respective agency legal counsel	
<b>B9.</b>	<b>Services contract</b>	<ul style="list-style-type: none"> <li>Draft and execute services contract</li> </ul>	October 2016 to January 2017	Respective agency legal counsel; Joint staff committee	The Executive Directors will also be integrally involved. This should occur following the financial analysis and

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
					establishment of a budget to support the services and staff transitions outlined in the sections below. Execution of the contract will require policy action by the respective agencies.

## C. Memorandum of Understanding

*Objective: To establish a time frame for future consideration of governance options.*

No.	Action Area	Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Goals and Objective</b>					
<b>C1.</b>	<b>MOU</b>	<ul style="list-style-type: none"> <li>Establish timeframe for future consideration of governance options</li> <li>Draft MOU and review with respective policy bodies</li> <li>Adopt MOU</li> </ul>	January 2017	Respective Agency Chairs	A policy determination will need to be made with respect to timing of the evaluation; multiple evaluation milestones are possible.  Respective Agency Legal Counsel and Executive Directors will also be involved.
<b>C2.</b>	<b>Evaluation</b>	<ul style="list-style-type: none"> <li>Establish criteria for evaluation of the two-agency model</li> <li>Draft goals and objectives for the evaluation of governance options, if determined to do so</li> <li>Develop a work program for conducting the evaluation of governance options</li> </ul>	To be determined during agreed upon timeframe for evaluation.	Respective Agency Chairs	Respective agency staff, legal counsel and policy bodies will also be integrally involved.

No.	Action Area	Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
		<ul style="list-style-type: none"> <li>Hire a consultant to work with both agencies on the evaluation</li> <li>Establish a joint sub-committee of policy makers to work with both agencies on the evaluation</li> <li>Conduct an evaluation to include legal and statutory issues</li> </ul>			

## D. Human Resources

*Objective: To establish the compensation and benefit structure for ABAAG employees to be transitioned to a consolidated agency.*

No.	Action Area	Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Compensation and benefits</b>					
D1.	<b>Compensation</b>	<ul style="list-style-type: none"> <li>Document current ABAG compensation policies (management and non-management), including vacation and sick leave accrual rates, medical plans and compare to MTC policies</li> <li>Develop list of full and part-time ABAG employees and their respective total compensation</li> </ul>	August 2016	Human Resource Directors or Managers	
D2.	<b>Benefits</b>	<ul style="list-style-type: none"> <li>Document current ABAG benefit structure by employee group and employee</li> </ul>	August 2016	Human Resource Directors or Managers	
<b>Employee transitions</b>					
D3.	<b>Transition plan and policies</b>	<ul style="list-style-type: none"> <li>Sustain ABAG and relevant MTC vacancies and establish a process to review filling those determined to be essential until a contract for service is agreed upon</li> <li>Develop complete list of ABAG employees affected by staff consolidation</li> <li>Develop proposed transition plan and policies for the</li> </ul>	July 2016	Agency Executive Directors	

No.	Action Area	Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
		<ul style="list-style-type: none"> <li>migration of ABAG employees to MTC; review with Employee Relations Committee</li> <li>Meet and discuss proposed transition policies with ABAG and MTC employees and employee bargaining groups and their representatives</li> <li>Prepare final transition plan and policies</li> </ul>	July – November 2016 November 2016		
<b>D4.</b>	<b>Staff transitions</b>	<ul style="list-style-type: none"> <li>Identify and address overlapping MTC and ABAG executive and managerial positions</li> <li>Develop list of existing MTC classifications that may be appropriate for ABAG employees</li> <li>Develop new classification and compensation for those ABAG positions that do not fit within the current MTC classifications</li> <li>Draft list of positions and proposed compensation</li> <li>Meet with ABAG employees and discuss staff transitions</li> <li>Make offers of employment</li> <li>Transition employees</li> </ul>	September 2016 November - December 2016 February 2017	Deputy Directors/Human Resources Managers	
<b>Existing ABAG Retirees</b>					
<b>D5.</b>	<b>Existing policies and procedures</b>	<ul style="list-style-type: none"> <li>Confirm ABAG obligations to existing retirees; assess ongoing financial cost</li> <li>Determine whether financial obligation will remain with ABAG JPA or become part of contract for service</li> </ul>	October 2016	Agency Finance Directors	
<b>D6.</b>	<b>Existing retiree briefing</b>	<ul style="list-style-type: none"> <li>Brief existing retirees</li> </ul>	November 2016	Agency Executive Directors	

## E. General Administration

*Objective: To establish a work program for general administrative activities following execution of a contract for service.*



No. Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Administrative Services</b>				
<b>E1. General financial services</b>	<ul style="list-style-type: none"> <li>Continue independent accounting of ABAG JPA for the term of the Contract for Service</li> <li>Identify ABAG financial structure and services required following execution of contract for service in FY 2016-17.</li> <li>Review ABAG financial systems and account structure to determine any proposed changes that may be needed for fiscal management, consolidation of staff functions and reporting requirements</li> <li>Establish fiscal oversight policies and procedures of ABAG financial systems, and reporting relationships of transitioned ABAG employees within the Finance Department</li> <li>Meet with enterprise services to understand their interests and financial services' needs; develop plan to meet the needs and/or transition the services</li> <li>Schedule briefing(s) with ABAG employees about MTC financial policies and procedures, e.g., purchasing and contract management</li> <li>Assess opportunities for consolidation and efficiency; develop a plan for doing so</li> </ul>	January-March 2017	Agency Finance Directors	These steps would occur following execution of a Contract for Service. Provide regular reports to the ABAG Executive Board.
<b>E2. Financial reporting</b>	<ul style="list-style-type: none"> <li>Review current ABAG financial reporting policies and practices</li> <li>Identify changes in financial reporting requirements if needed</li> <li>Review potential changes with ABAG staff to ensure compliance with third party contractors, enterprise functions or granting agencies and management information needs</li> <li>Review reporting requirements with ABAG Executive Board</li> <li>Develop implementation schedule</li> </ul>	January-March 2017	Agency Finance Directors	Provide reports to the ABAG Executive Board.
<b>E3. Treasury management</b>	<ul style="list-style-type: none"> <li>Assess ABAG investment policies and identify amendments as necessary</li> </ul>	January-March 2017	MTC Finance Director	

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
		<ul style="list-style-type: none"> <li>Recommend to ABAG Executive Board for approval</li> <li>Assess services of ABAG existing financial managers; recommend changes and process to do so if determined to be necessary</li> </ul>			
<b>E4.</b>	<b>Budget</b>	<ul style="list-style-type: none"> <li>Draft cost allocation program proposed to be implemented following Contract for Service; review with impacted grantees and grantors and enterprise services</li> <li>Develop and submit amended FY 2016-17 budget to ABAG policy bodies, if determined to be necessary</li> <li>Identify and recommend changes to annual budget process to ABAG policy bodies, if necessary</li> </ul>	January-March 2017	MTC Finance Director	
<b>E5.</b>	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>Identify MTC human resources policies and procedures that need to be conveyed to ABAG employees</li> <li>Schedule briefing sessions with ABAG employees to ensure understanding of MTC human resources policies and practices.</li> </ul>	January-March 2017	MTC Human Resources Director/Manager	
<b>E6.</b>	<b>Information technology</b>	<ul style="list-style-type: none"> <li>Review current ABAG information technology systems and contracts</li> <li>Assess opportunities for consolidation and efficiency; develop a plan to do so</li> </ul>	January-March 2017	IT Directors/Managers for ABAG and MTC	
<b>E7.</b>	<b>General support</b>	<ul style="list-style-type: none"> <li>Identify and evaluate responsibilities of existing ABAG and MTC support staff</li> <li>Develop transition plan for most effective use of support staff</li> <li>Redistribute responsibilities as needed</li> </ul>	January-March 2017	Deputy Directors	
<b>E8.</b>	<b>Legal services</b>	<ul style="list-style-type: none"> <li>Identify legal services that may be provided by MTC legal counsel to the ABAG JPA and those that should be provided on a contract basis directly to the JPA Board</li> <li>Draft and issue an RFP for outside legal services; enter into a contract</li> </ul>	January 2017 January-March 2017	MTC Legal Counsel	ABAG legal counsel will also need to provide input.

**Organizational Development**

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
E9.	<b>Organization structure</b>	<ul style="list-style-type: none"> <li>Review and assess existing MTC and ABAG organization structure, staffing levels and expertise</li> <li>Meet with respective agency policy bodies to review organization structure interests</li> <li>Meet with ABAG senior staff to understand support and services currently provided to the JPA policy makers, committees and member agencies</li> <li>Gain consensus on an organization structure that meets identified needs as well as the placement of transitioned ABAG staff</li> <li>Review as necessary with appropriate MTC and ABAG Committees</li> <li>Implement new organization structure</li> </ul>	January-March 2017	MTC Executive Director/Deputy Directors	
E10.	<b>Unified, integrated planning department</b>	<ul style="list-style-type: none"> <li>Meet with each staff member individually to understand their interests and concerns regarding an integrated department and to assess the professional contributions each brings to the department</li> <li>Develop an integrated planning work program that sets forth how all work and the ABAG work program will be accomplished, eliminates duplication of effort, and assesses the staffing levels needed to carry it out</li> <li>Develop an organization structure that supports the integrated work program</li> <li>Communicate the structure and how work will be accomplished to the staff and policy bodies</li> <li>Conduct teambuilding session(s) with staff to establish vision, values and expectations of how staff will work together as an integrated planning function</li> <li>Engage staff periodically to gauge and evaluate team effectiveness</li> </ul>	January-March 2017	MTC Planning Director	
E11.	<b>Unified Agency mission, vision and values</b>	<ul style="list-style-type: none"> <li>Conduct teambuilding session(s) with staff to establish vision, values and expectations of working together</li> <li>Share results with MTC and ABAG policy bodies</li> <li>Engage staff periodically to gauge and evaluate team</li> </ul>	January-March 2017	Agency Executive Director/outside consultant	

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Commission, Board and Committee Support</b>					
<b>E12.</b>	<b>Reporting relationships</b>	<ul style="list-style-type: none"> <li>Determine the reporting relationship of the MTC Executive Director to the ABAG Executive Board and General Assembly</li> <li>Determine reporting relationships and board support for other ABAG Committees and JPAs</li> </ul>	December 2016	MTC Executive Director	
<b>E13.</b>	<b>ABAG Executive Board, Committee and associated JPA administrative support</b>	<ul style="list-style-type: none"> <li>Identify and assess ABAG Board, committee and associated JPA Board administrative support needs</li> <li>Assign staff</li> </ul>	January-March 2017	Deputy Directors	
<b>E14.</b>	<b>Policy committee structure</b>	<ul style="list-style-type: none"> <li>Develop process maps for selected MTC and ABAG committee processes to assess efficiency opportunities while respecting each agency's statutory duties and responsibilities as the region's MPO and COG</li> <li>Propose revisions to reduce staff and elected officials' time commitments and improve transparency to the public</li> </ul>	March 2017	MTC Executive Director/Other executive level staff	

## F. Planning Programs and Services

*Objective: To develop an integrated work program for Plan Bay Area and establish a unified planning team positioned to address the region's planning priorities.*

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
<b>Plan Bay Area</b>					
<b>F1.</b>	<b>Statutory and policy roles and responsibilities</b>	<ul style="list-style-type: none"> <li>Document, and if necessary, propose revised policy roles and responsibilities consistent with statute regarding the</li> </ul>	January-March 2017	MTC and ABAG Executive Board	

No.	Action Area	General Implementation Steps	Completion Date	Lead Implementation Responsibility	Comments
		<ul style="list-style-type: none"> <li>Preparation of the Sustainable Communities Strategy (SCS)</li> <li>Prepare a policy decision making process map showing steps to review and adopt the SCS</li> <li>Review with respective MTC and ABAG committees</li> </ul>			
<b>F2.</b>	<b>Integrated work program and schedule</b>	<ul style="list-style-type: none"> <li>Prepare a revised and fully integrated work program and schedule leading to adoption of a new Plan Bay Area in 2017</li> <li>Revise the community outreach and stakeholder engagement plan as necessary</li> <li>Review both with appropriate MTC and ABAG committees</li> </ul>	January-March 2017	MTC Planning Director	
<b>Integrated Planning Programs and Services</b>					
<b>F3.</b>	<b>Regional planning</b>	<ul style="list-style-type: none"> <li>Identify existing and emerging regional issues that are not currently addressed by existing agency programs, and identify opportunities to address those issues, including funding opportunities</li> <li>Forge closer relationships with BAAQMD and BCDC through BARC on cross-cutting regional issues</li> <li>Discuss with local governments the opportunities and activities the unified departments' efforts to implement local support of local governments' efforts to implement local programs and policies addressing region-wide issues</li> </ul>	June 2017	MTC Planning Director	ABAG and MTC committees will likely have an interest in this as well as stakeholder groups and partner agencies.
<b>F4.</b>	<b>Planning programs and services</b>	<ul style="list-style-type: none"> <li>Inventorly all planning programs and services</li> <li>Assess duplication and opportunities for consolidation, integration or reassignment to other partners or agencies</li> <li>Review possible changes with stakeholders, grantors or other partners' agencies as appropriate</li> <li>Develop work program, schedule and assign staff to implement proposed changes</li> </ul>	April-June 2017	MTC Planning Director	ABAG and MTC committees may also be involved in this effort.





**Attachment B. Overview of Proposed Implementation Plan for Option 7**  
**Consolidation of All Staff Functions and Pursuit of New Governance Options**  
**MTC-ABAG Merger Study**



	2016						2017						
	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
<b>F. Policy Programs and Services</b>													
<i>Objective: To develop an integrated work program for Plan Bay Area and establish a unified planning team positioned to address the region's planning priorities.</i>													
F1a. Prepare PBA policy decision making process map													
F1b. Propose revised policy roles and responsibilities, if necessary													
F2. Prepare revised and fully integrated PBA work program													
F3a. Identify existing and regional issues to include													
F3b. Forge closer relationship with BAAQMD and BCDC													
F4. Inventory services and develop planning work program													



Joint Meeting of  
MTC Planning Committee and ABAG Administrative Committee  
**Merger Study Implementation Action Plan**

May 27, 2016



# Overview

- Project Update
- Overview of Option 7
- Implementation Action Plan
- Next Steps



# Project Update

## Task 1

Work Plan and  
Schedule  
Joint Committee  
Workshop

January

## Task 2

Regional  
Transportation and  
Planning Organization  
Model / Options  
Stakeholder  
Engagement

Feb to March

## Task 3

Alternative  
Options Analysis

April to May

## Task 4

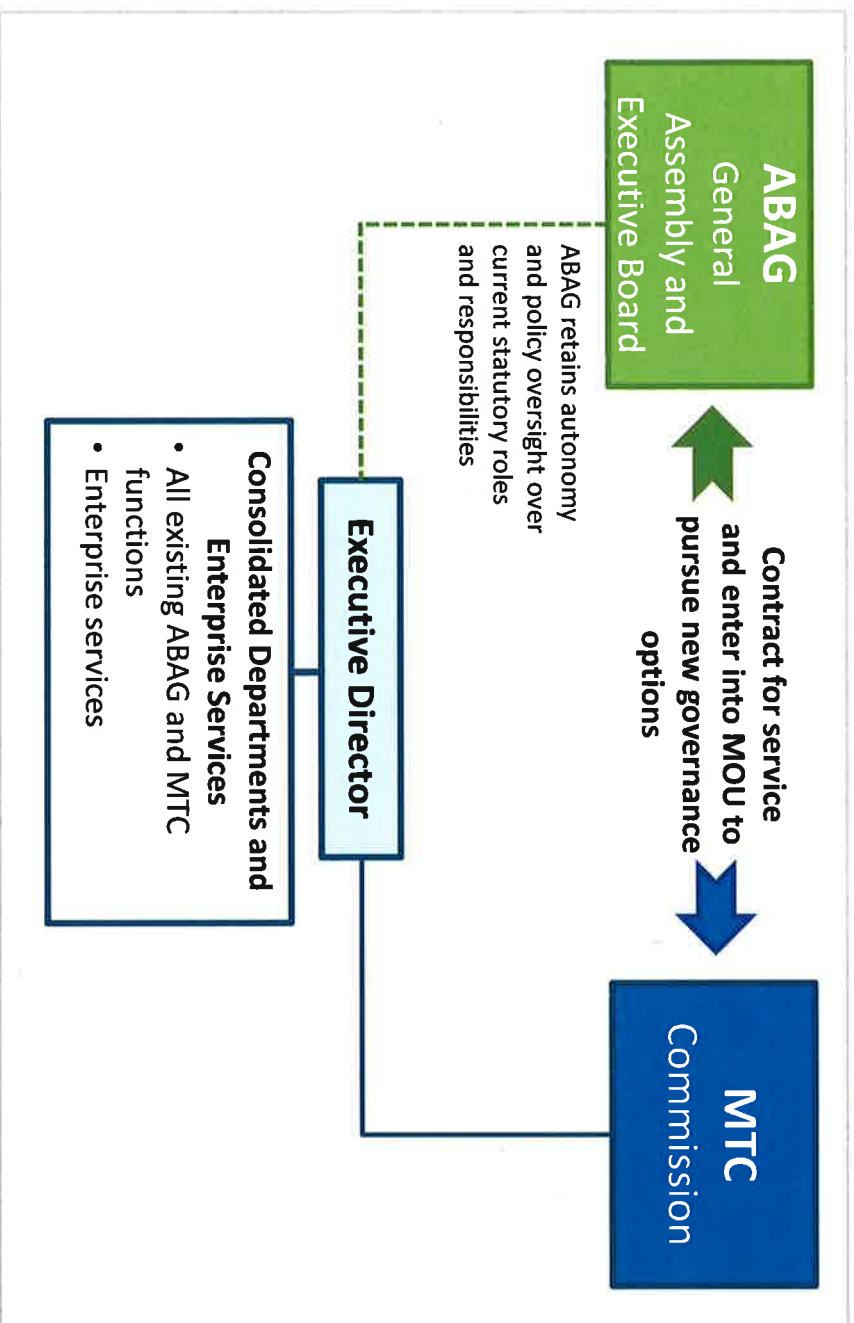
Merger  
Implementation  
Plan

May to June

### Meetings with:

- ABAG General Assembly and Executive Board (May 19)
- MTC Commission (May 25)
- Joint Committee (May 27)

# Option 7. Consolidate all Staff Functions and Pursue New Governance Options



Evaluate the existing governance structure for efficiency, effectiveness and transparency



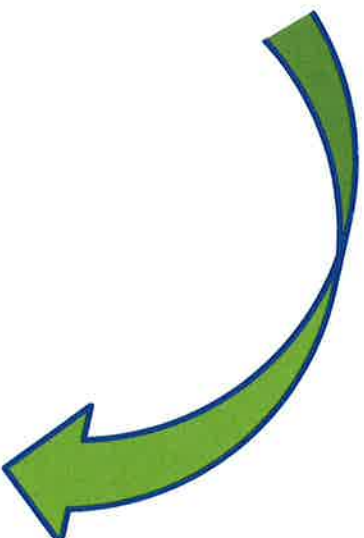
Decide whether to create a new regional governance model

Alternatives for organization governance, structure and staffing to be analyzed

# What is an Implementation Action Plan (IAP)?

## Implementation Action Plan

- A tool to help guide the process should MTC and ABAG move forward with Option 7
- The IAP may be modified or amended as the process moves forward



Metropolitan Transportation Commission and Association of Bay Area Governments  
Consolidation of all Staff Functions and Pursuit of New Governance Options – Proposed Implementation Action Plan



# General Approach to the IAP

## 1. Policy Support

Gain policy support for Option 7

## 2. Due-diligence Analysis and Contract for Service/MOU

Conduct a due-diligence analysis leading to a possible Contract for Service and MOU

## 3. Employee Engagement

Establish a process by which employees will be engaged early and in-depth.

## 4. Employee Transition

Transition ABAAG staff (if a contract for service is executed)

# General Approach to the IAP

## 5. Administrative Activities

Implement general administrative activities to support contract

## 6. Work Program Integration

Integrate ABAG work program into MTC

# A. Framework and Schedule

**Objective:** To achieve consensus regarding the general framework, schedule and plan for implementation of Option 7.

	June	July	Aug	Sept	Oct	Nov
<b>A1a.</b> Adopt resolution expressing support for Option 7						
<b>A1b.</b> Enter into agreement to support ABAG planning services						
<b>A2.</b> Develop implementation schedule						
<b>A3.</b> Request Commission/Board Chairs to work on contract and MOU						
<b>A4a.</b> Establish a joint employee/management committee						
<b>A4b.</b> Meet with employee bargaining groups						
<b>A5.</b> Develop Communications Plan						



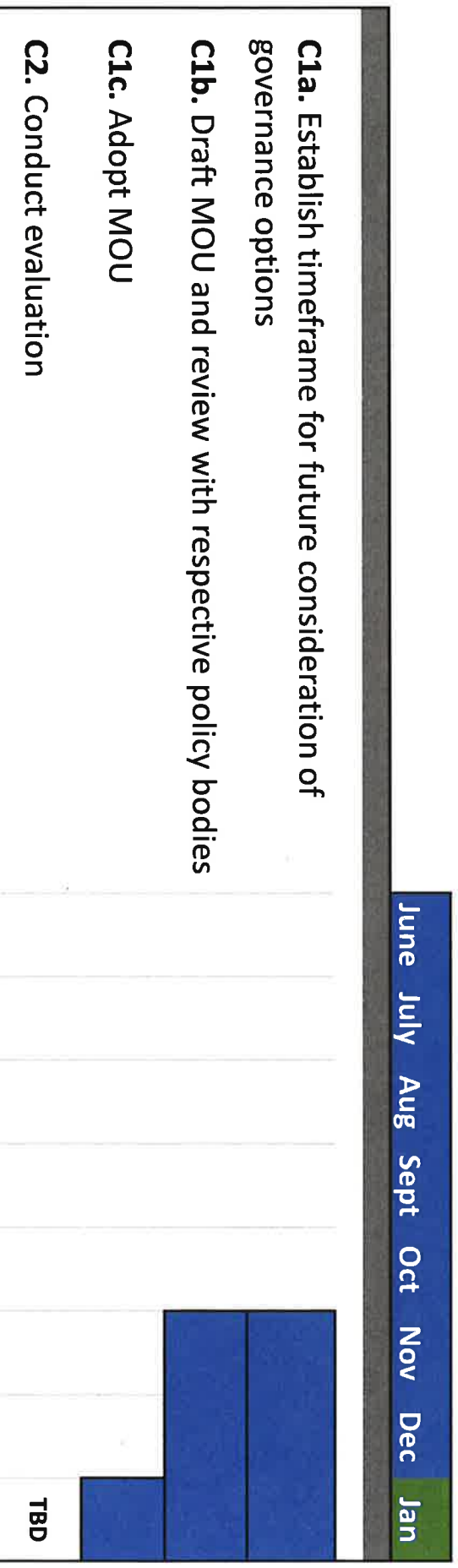
# B. Contract for Service

**Objective:** To conduct a financial analysis of the impact on both MTC and ABAG of consolidating all staff functions within MTC and develop a contract for service if determined to be feasible.

	June	July	Aug	Sept	Oct	Nov	Dec	Jan
<b>Financial Analysis (Due Diligence)</b>								
<b>B1.</b> Conduct financial analysis, forecast and actuarial study								
<b>B2.</b> Analyze programs and services and determine ongoing costs								
<b>B3.</b> Evaluate cost structure to provide contract services								
<b>Contract Development</b>								
<b>B4.</b> Assign contract development team								
<b>B5.</b> Develop outline for scope of services to be included								
<b>B6.</b> Prepare proposed executive level organization structure								
<b>B7.</b> Develop work program to be carried out by MTC								
<b>B8.</b> Conduct legal assessment								
<b>B9.</b> Draft and execute services contract								

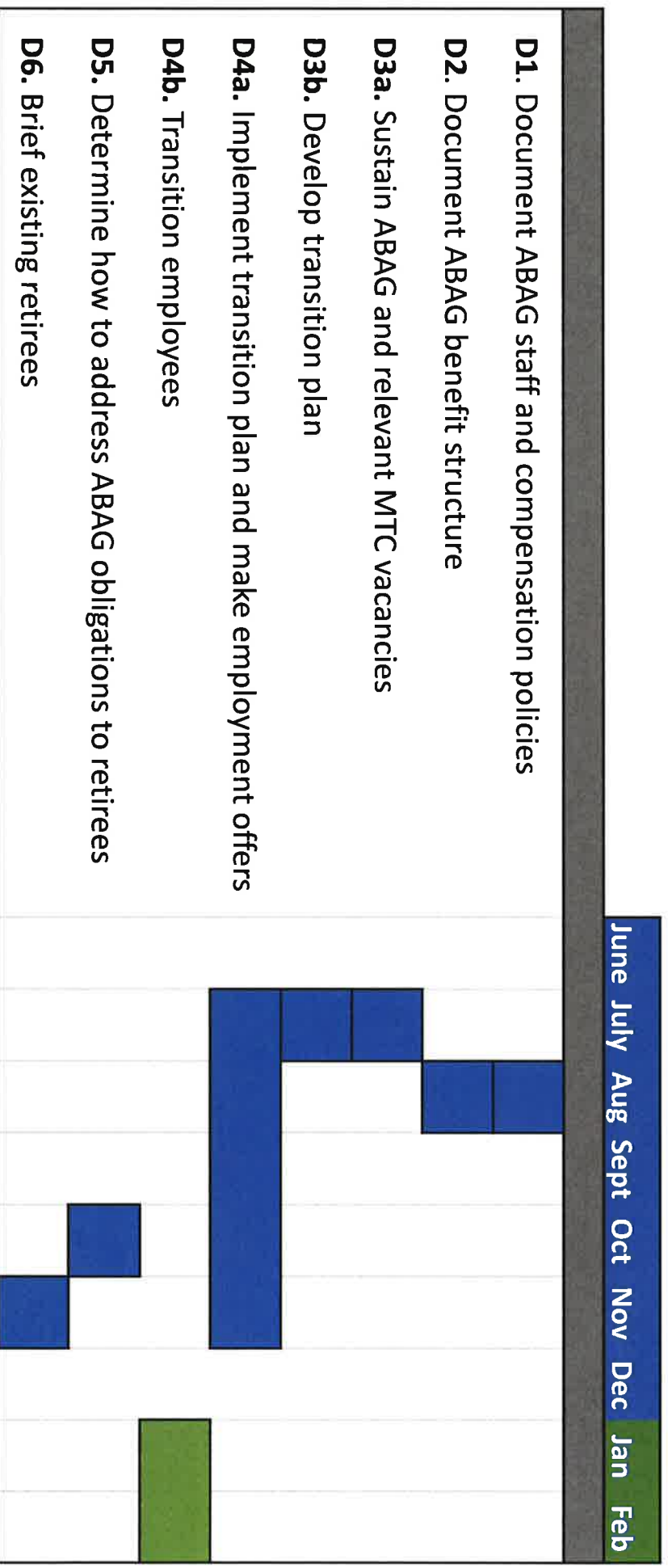
# C. Memorandum of Understanding

**Objective:** To establish a time frame for future consideration of governance options.



# D. Human Resources

**Objective:** To establish the compensation and benefit structure for ABAG employees to be transitioned to a consolidated agency.



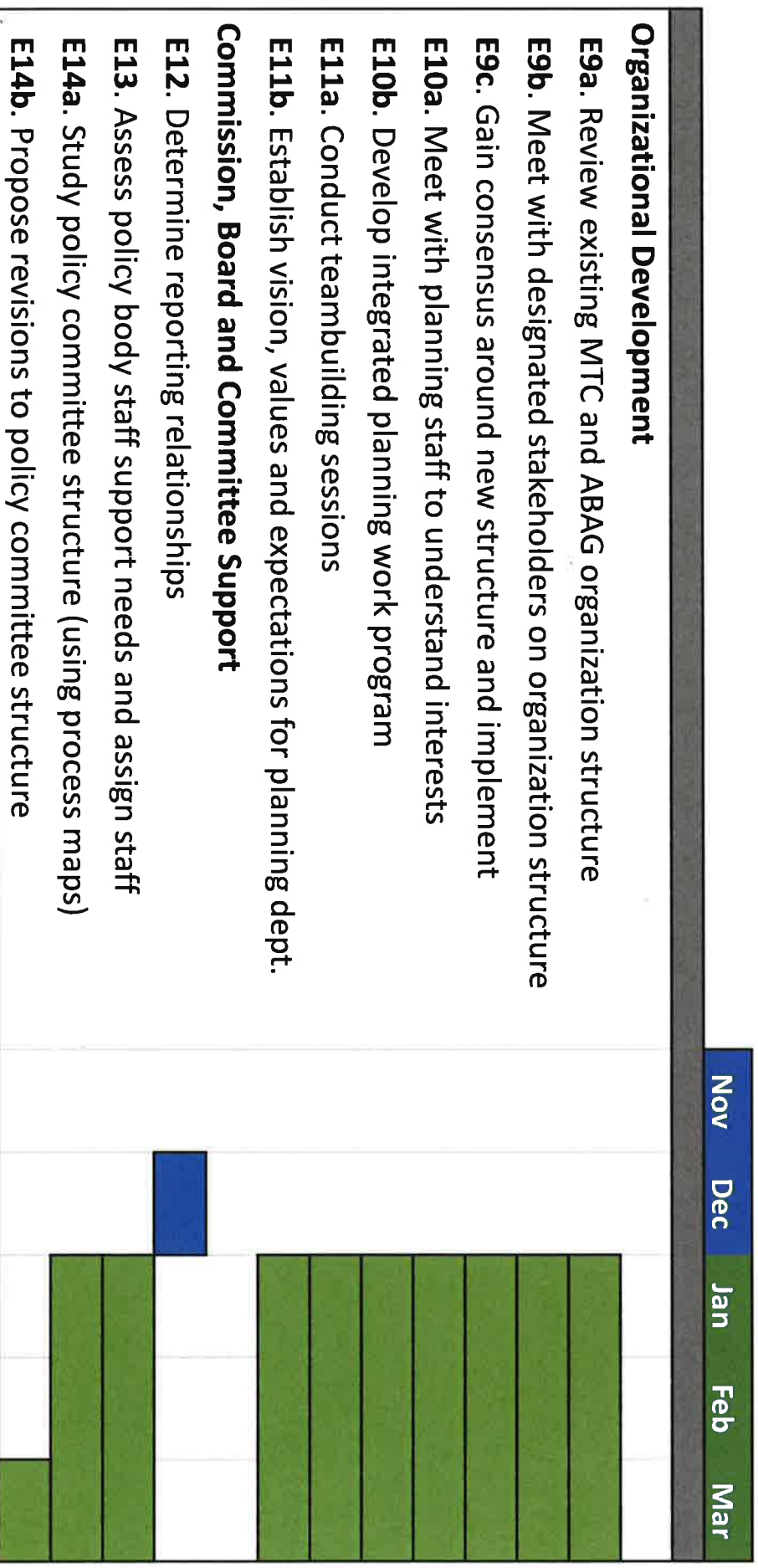
# E. General Administration

**Objective:** To establish a work program for general administrative activities following execution of a contract for service.

	Nov	Dec	Jan	Feb	Mar
<b>Administrative Services</b>					
<b>E1.</b> Establish policies and procedures for financial management					
<b>E2.</b> Develop financial reporting policies					
<b>E3.</b> Assess ABAG investment policies and make changes as needed					
<b>E4.</b> Amend budget documents following contract implementation					
<b>E5.</b> Brief ABAG employees on new HR policies and procedures					
<b>E6.</b> Assess opportunities to consolidate IT systems					
<b>E7.</b> Redistribute support staff responsibilities, as needed					
<b>E8.</b> Contract outside legal services for ABAG					

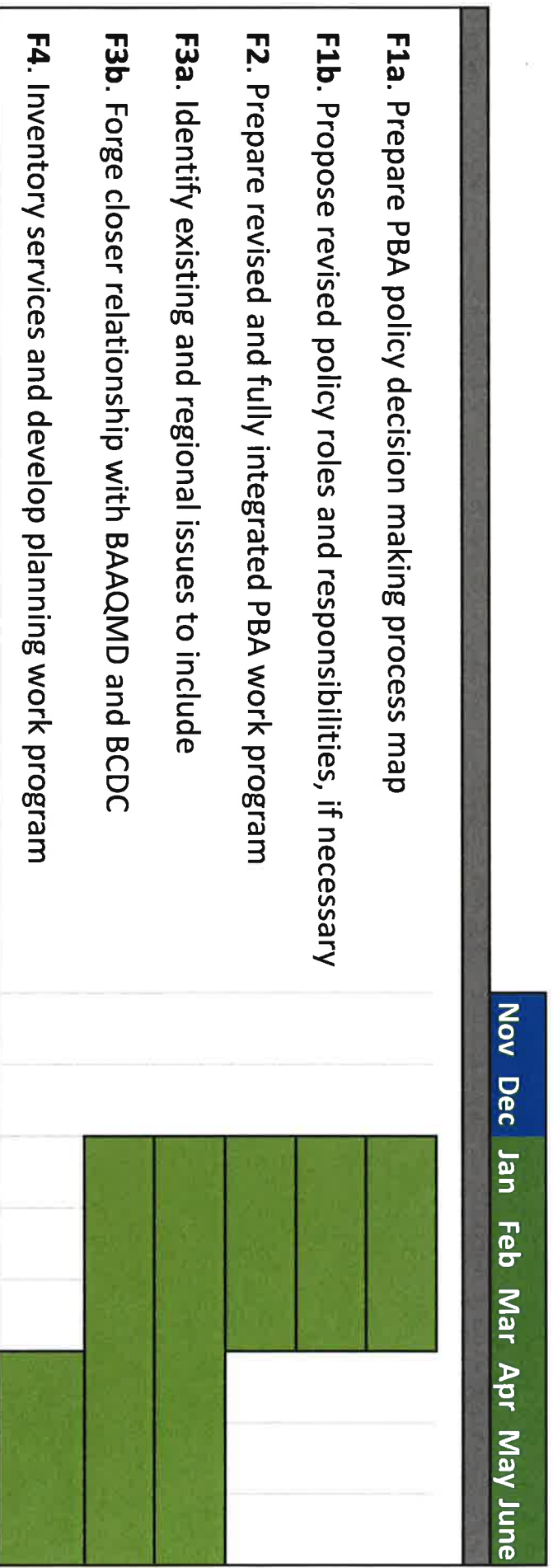
# E. General Administration

**Objective:** To establish a work program for general administrative activities following execution of a contract for service.



# F. Policy Programs and Services

**Objective:** To develop an integrated work program for Plan Bay Area and establish a unified planning team positioned to address the region's planning priorities.



# Action Requested

- Review and approval of the proposed or an amended IAP
- Refer to respective policy boards for consideration in June

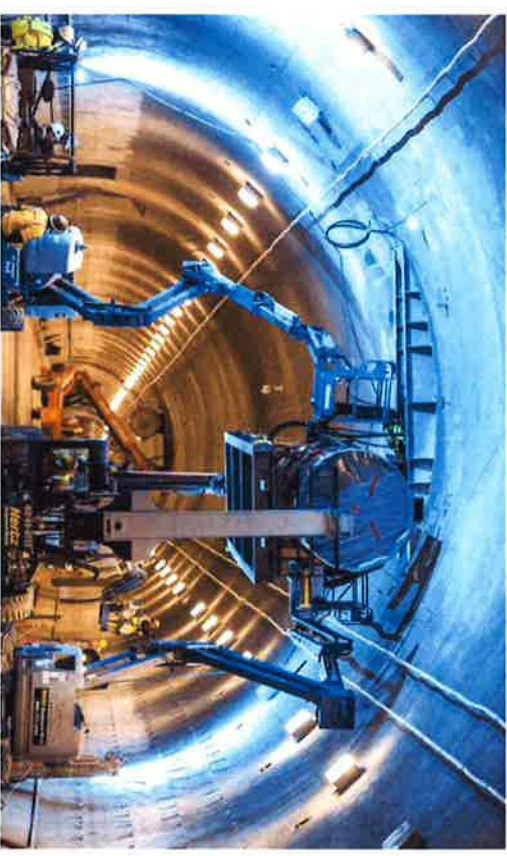
Metropolitan Transportation Commission and Association of Bay Area Governments

Consolidation of all Staff Functions and Pursuit of New Governance Options – Proposed Implementation Action Plan



# Proposed Next Steps

- Conduct financial and legal analyses to determine impact on both MTC and ABAG (due diligence)
- Develop implementation schedule
- Request Commission/Board Chairs or designees to work on contract and MOU
- Establish a joint employee/management committee





Thank you



Attachment B

FY 2016-17 ABAG/MTC Funding Agreement  
General Scope of Work

- (a) Regional Research Modeling and Analysis. ABAG shall support MTC's efforts to develop, apply, and maintain Bay Area Demographic Forecasting, Economic Forecasting, and UrbanSim land use models.
- (b) Planning Services. ABAG shall fulfill its responsibility to jointly implement Plan Bay Area programs and complete the Plan update pursuant to SB375.
- (c) Intergovernmental Review. ABAG shall fulfill roles pursuant to Executive Order 12372 and the State Intergovernmental Review process, as well as pursuant to Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 as amended, Section 401 of Title IV of the Intergovernmental Cooperation Act of 1968, and Section 176 (c) of the Clean Air Act, in a manner consistent with MTC review responsibilities.
- (d) Bay Area Regional Collaborative (BARC) and Regional Airport Planning Committee (RAPC). ABAG shall provide appropriate staffing support for joint meetings of ABAG and MTC committees, BARC, and the Regional Airport Planning Committee ("RAPC").
- (e) Integrated Work Plan. ABAG shall work with MTC to prepare an integrated work plan for the agencies' joint research, planning and administrative functions in order to ensure the cost-effective performance and reduction of costs related to these functions, where feasible.
- (f) Bay Area Metro Center. ABAG shall provide regular Executive, technical and administrative input to operation of the Bay Area Metro Center.

Attachment C

REQUEST FOR COMMISSION APPROVAL

Summary of Proposed Funding Agreement

Work Item No.: 1611  
Agency: Association of Bay Area Governments  
San Francisco, CA  
Work Project Title: FY 2016-17 ABAG/MTC Funding Agreement  
Purpose of Project: To provide planning, research and administrative/facility services.  
Brief Scope of Work: To coordinate with MTC to conduct certain comprehensive planning and technical activities and products that support the planning functions of both agencies, with special emphasis on the completion of Plan Bay Area 2040 and the implementation of Plan Bay Area, and to prepare and implement an integrated work plan for the agencies' joint research, planning and administrative functions.  
Project Cost Not to Exceed: \$1,900,000

Funding Source:

General Fund/TDA Planning	\$650,000
FTA 5303 (Toll Credit)	\$128,565
FHWA PL (Toll Credit)	\$557,793
STP 1801	\$563,642
<b>Total</b>	<b>\$1,900,000</b>

Fiscal Impact: Funds are included in the proposed MTC Agency Budget for FY 2016-17.  
Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a funding agreement with the Association of Bay Area Governments to perform comprehensive planning, research and administrative/ facility services activities in FY 2016-16 from July 1 through December 31, 2016, and the Chief Financial Officer is authorized to set aside funds from the FY 2016-17 Agency Budget for this purpose in the amount of \$1,900,000.

Commission:

\_\_\_\_\_  
Dave Cortese, Chair

Approved:

Date: June 22, 2016

REQUEST FOR COMMISSION APPROVAL

Summary of Proposed Contract

Work Item No.: 1152

Consultant: Public Financial Management (PFM), San Francisco, California

Work Project Title: ABAG Financial Analysis Due Diligence

Purpose of Project: To conduct a financial and operational analysis due diligence of ABAG and provide related consultation.

Brief Scope of Work: To conduct a financial and operational analysis due diligence of ABAG and provide related consultation in accordance with the Implementation Action Plan.

Project Cost Not to Exceed: \$250,000

Funding Source: General Fund

Fiscal Impact: Funds are subject to inclusion in the FY 2016-17 MTC agency budget

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a sole source contract with Public Financial Management to provide financial and operational analysis due diligence services as described above and in the Executive Director's memorandum dated June 15, 2016, and that the Chief Financial Officer is authorized to set aside funds in the amount of \$250,000 for such contract, subject to inclusion of such funds in the FY 2016-17 MTC agency budget.

Commission:

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Dave Cortese, MTC Chair

Approved:

Date: June 22, 2016

Attachment E

REQUEST FOR COMMISSION APPROVAL

Summary of Proposed Contract Approval

Work Item No.: 1151

Agency: Orrick, Herrington, & Sutcliffe LLP  
San Francisco, CA

Work Project Title: ABAG Due Diligence Counsel

Purpose of Project: To conduct a due diligence legal analysis of ABAG and provide related advice and counsel.

Brief Scope of Work: To conduct a due diligence legal analysis of ABAG and provide related advice and counsel in accordance with the Implementations Action Plan.

Project Cost Not to Exceed: \$250,000

Funding Source: General Fund/TDA Planning

Fiscal Impact: Funds are subject to inclusion in the MTC Agency Budget for FY 2016-17.

Motion by Committee: That the Executive Director or his designee is authorized to negotiate and enter into a sole source contract with the law firm of Orrick, Herrington and Sutcliffe LLP to provide legal services as described above and in the Executive Director's memorandum dated June 15, 2016, and that the Chief Financial Officer is authorized to set aside funds in the amount of \$250,000 for such contract, subject to inclusion of such funds in the FY 2016-17 MTC agency budget.

Commission: \_\_\_\_\_  
Dave Cortese, Chair

Approved: Date: June 22, 2016