



375 Beale Street
Suite 700
San Francisco, California
94105

Meeting Agenda - Final

ABAG Finance Committee

Thursday, October 21, 2021

4:00 PM

REMOTE

Special Meeting

Association of Bay Area Governments Finance Committee

In light of Governor Newsom's State of Emergency declaration regarding COVID-19 and in accordance with the recently signed Assembly Bill 361 allowing remote meetings, this meeting will be accessible via webcast, teleconference, and Zoom for all participants.

A Zoom panelist link for meeting participants will be sent separately to committee, commission, or board members.

The meeting webcast will be available at: <https://abag.ca.gov/meetings-events/live-webcasts>

Members of the public are encouraged to participate remotely via Zoom at the following link or phone number:

Please click the link below to join the webinar:

<https://bayareametro.zoom.us/j/84993138413>

Or One tap mobile :

US: +16699006833,,84993138413# or +14086380968,,84993138413#

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or +1 408 638 0968 or +1 346 248 7799 or +1 253 215 8782 or +1 312 626 6799 or +1 646 876 9923 or +1 301 715 8592 or 888 788 0099 (Toll Free) or 833 548 0276 (Toll Free) or 833 548 0282 (Toll Free) or 877 853 5247 (Toll Free)

Webinar ID: 849 9313 8413

Detailed instructions on participating via Zoom are available at:

<https://abag.ca.gov/zoom-information>

Committee members and members of the public participating by Zoom wishing to speak should use the "raise hand" feature or dial "*9".

In order to get the full Zoom experience, please make sure your application is up to date.

Members of the public may participate by phone or Zoom or may submit comments by email at info@bayareametro.gov by 5:00 p.m. the day before the scheduled meeting date. Please include the committee or board meeting name in the subject line. Due to the current circumstances there may be limited opportunity to address comments during the meeting. All comments received will be submitted into the record.

The ABAG Finance Committee may act on any item on the agenda.

The meeting is scheduled to begin at 4:00 p.m.

Agenda, roster, and webcast available at <https://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

Roster

Jesse Arreguin, Cindy Chavez, Karen Mitchoff, David Rabbitt, Belia Ramos, James Spering

1. Call to Order / Roll Call / Confirm Quorum**2. Public Comment**

Information

3. Committee Member Announcements

Information

4. Chair's Report

- 4.a. [21-1334](#) ABAG Finance Committee Chair's Report for October 21, 2021

Action: Information

Presenter: Karen Mitchoff

5. Consent Calendar

- 5.a. [21-1335](#) Approval of ABAG Finance Committee Minutes of September 16, 2021

Action: Approval

Presenter: Clerk of the Board

Attachments: [05a Finance Minutes 20210916 Draft.pdf](#)

6. Debt Refinancing

- 6.a. [21-1336](#) ABAG Pension Obligation Refinancing

Action: Approval

Presenter: Brian Mayhew

Attachments: [06a 1 Summary Sheet Pension Obligation Refinancing.pdf](#)

[06a 2 Attachment Presentation PERS Refinancing.pdf](#)

7. Adjournment / Next Meeting

The next regular meeting of the ABAG Finance Committee is on November 18, 2021.

Public Comment: The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

Meeting Conduct: If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

Record of Meeting: Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

Accessibility and Title VI: MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

可及性和法令第六章: MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者, 請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知, 以滿足您的要求。

Acceso y el Titulo VI: La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.



Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105

Legislation Details (With Text)

File #: 21-1334 **Version:** 1 **Name:**
Type: Report **Status:** Informational
File created: 9/30/2021 **In control:** ABAG Finance Committee
On agenda: 10/21/2021 **Final action:**
Title: ABAG Finance Committee Chair's Report for October 21, 2021
Sponsors:
Indexes:
Code sections:
Attachments:

Date	Ver.	Action By	Action	Result
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ABAG Finance Committee Chair's Report for October 21, 2021

Karen Mitchoff

Information



Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105

Legislation Details (With Text)

File #: 21-1335 **Version:** 1 **Name:**
Type: Minutes **Status:** Committee Approval
File created: 9/30/2021 **In control:** ABAG Finance Committee
On agenda: 10/21/2021 **Final action:**
Title: Approval of ABAG Finance Committee Minutes of September 16, 2021
Sponsors:
Indexes:
Code sections:
Attachments: [05a Finance Minutes 20210916 Draft.pdf](#)

Date	Ver.	Action By	Action	Result
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Approval of ABAG Finance Committee Minutes of September 16, 2021

Clerk of the Board

Approval



375 Beale Street
Suite 700
San Francisco, California
94105

Meeting Minutes - Draft

ABAG Finance Committee

Thursday, September 16, 2021

5:00 PM

Board Room - 1st Floor (REMOTE)

Association of Bay Area Governments Finance Committee

The ABAG Finance Committee may act on any item on the agenda.

The meeting is scheduled to begin at 5:00 p.m.

Agenda, roster, and webcast available at <https://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

Roster

Jesse Arreguin, Cindy Chavez, Karen Mitchoff, David Rabbitt, Belia Ramos, James Spering

1. Call to Order / Roll Call / Confirm Quorum

Chair Mitchoff called the meeting to order at about 5:01 p.m. Quorum was present.

Present: 4 - Arreguin, Mitchoff, Ramos, and Spering

Absent: 2 - Chavez, and Rabbitt

2. Public Comment

3. Committee Member Announcements

4. Chair's Report

4.a. [21-1107](#) ABAG Finance Committee Chair's Report for September 16, 2021

5. Consent Calendar

Upon the motion by Spering and second by Ramos, the ABAG Finance Committee approved the Consent Calendar. The motion passed unanimously by the following vote:

Aye: 4 - Arreguin, Mitchoff, Ramos, and Spering

Absent: 2 - Chavez, and Rabbitt

5.a. [21-1108](#) Approval of ABAG Finance Committee Minutes of May 20, 2021

- 5.b. [21-1110](#) Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$200,000 from April 2021 to June 2021

6. Financial Statements

- 6.a. [21-1109](#) Report on ABAG Financial Statements for period ended June 30, 2021 (Unaudited)

Upon the motion by Arreguin and second by Spering, the ABAG Finance Committee approved the staff report on the ABAG Financial Statements for the period ended June 30, 2021. The motion passed unanimously by the following vote:

Aye: 4 - Arreguin, Mitchoff, Ramos, and Spering

Absent: 2 - Chavez, and Rabbitt

7. Investments

- 7.a. [21-1111](#) Reports on ABAG Investments for Periods Ended April 2021 and June 2021 (Unaudited)

Upon the motion by Ramos and second by Arreguin, the ABAG Finance Committee approved the staff report on the ABAG Investments for periods ended April 2021 and June 2021. The motion passed unanimously by the following vote:

Aye: 4 - Arreguin, Mitchoff, Ramos, and Spering

Absent: 2 - Chavez, and Rabbitt

8. Adjournment / Next Meeting

Chair Mitchoff adjourned the meeting at about 5:32 p.m. The next regular meeting of the ABAG Finance Committee is on November 18, 2021.



Metropolitan Transportation Commission

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Legislation Details (With Text)

File #: 21-1336 **Version:** 1 **Name:**
Type: Report **Status:** Committee Approval
File created: 9/30/2021 **In control:** ABAG Finance Committee
On agenda: 10/21/2021 **Final action:**
Title: ABAG Pension Obligation Refinancing
Sponsors:
Indexes:
Code sections:
Attachments: [06a 1 Summary Sheet Pension Obligation Refinancing.pdf](#)
[06a 2 Attachment Presentation PERS Refinancing.pdf](#)

Date	Ver.	Action By	Action	Result
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ABAG Pension Obligation Refinancing

Brian Mayhew

Approval

Association of Bay Area Governments

Finance Committee

October 21, 2021

Agenda Item 6.a.

Pension Obligation Refinancing

Subject:

ABAG Pension Obligation Refinancing

Background:

The basic concept of the refinancing is to issue a new set of taxable bonds at an interest rate below that being charged by PERS on the outstanding liability. In order to accomplish this task, we need to utilize a few experts,

- Bond Counsel - NixonPeabody: The Nixon team is expert in documentation of the bond issue and structure securing the payment for the bondholders and has considerable experience in pension obligation refunding. NixonPeabody is the firm that guided the transfer of responsibility of ABAG FAN over to the ACFA Governing Board
- Financial Advisor – Public Financial Management (PFM): the financial advisor acts in a fiduciary capacity on behalf of the issuer, representing the issuer in matters of issue structure and fairness or the interest rate and overall cost and also provides the state-required Good Faith Estimate of total issuance and interest costs. PFM has been financial advisor in the ABAG FAN transition and also has significant experience in the structure and issuance of pension refundings.
- Underwriter – TBD: the underwriter helps prepare the issuance documents and acts between the initial issuance and final sale to bondholders.

Both Nixon and PFM have worked on the BATA financing team for several years and helped guide the transition of ABAG FAN to MTC administration.

The transaction itself will be fairly simple. The bonds will be issued through Advancing California Finance Authority (ACFA) and ultimately privately placed through the underwriter. Proceeds will be paid to PERS and we will get a subsequent actuarial report confirming the reduction of the liability. General financing terms include:

- Term: not to exceed 15 years
- Rate: 10-year treasury + 1.0% - adjusted annually
- Annual adjustment cap + .50%
- Cap rate: 3.40%
- Annual payment: \$1.2 million increasing to \$1.4 million
- Security: annual ABAG dues and available balances

The bonds will be privately placed; however, they will be structured to be available for resale to public investors at any time. The payment will be set at a fixed amount despite the variable interest rate on the bonds. The payment provides a clear discount from the current \$1.7 million PERS amortization payment. Based on current rates, the initial payments provide savings of

Association of Bay Area Governments

Finance Committee

October 21, 2021

Agenda Item 6.a.

Pension Obligation Refinancing

\$500,000 with minimum annual savings of \$250,000 as rates increase. Any difference between the payment calculated and owed to bondholders and the scheduled payment will be put toward additional principal retirement.

The obvious advantage is the savings from the current PERS amortization. However, there are risks as well as rewards in any refinancing where the liability is not completely known.

Benefits:

- General savings over current PERS costs – minimum annual savings estimated at \$250,000
- Earning higher rate on PERS account than paying on bonds
- Rates will float to protect against lower rates
- Interest rates are capped, PERS is not
- Payment increases are capped on an annual basis
- Payment increases timed to match potential increase in ABAG dues structure

Risks:

- No guarantee PERS will not change actuarial calculations
- No guarantee PERS will not create new unfunded liability
- Shared liability pool is less predictable

There are two distinct areas of concern for which the refinancing will not guarantee total success. First, PERS is already evaluating adjustments to the discount rate which will result in an increase in the unfunded liability. While we can adjust for the expected new discount rate, PERS can adjust it further in the future. In addition, ABAG is part of a liability pool. It is far more difficult to evaluate the ABAG liability if the liability of the pool should increase in the future. PERS has indicated they track liabilities on an individual basis which would protect the ABAG position in the future.

Staff is requesting the ABAG Finance Committee agree to pursue the refinancing. Future steps will be:

- Retention of finance professionals. The legal, financial advisor and underwriter will be contracted through ACFA with fees paid out of the financing.
- Preparation of ABAG resolution agreeing to maintain dues at 110% of annual debt service for the life of the financing with debt service as the budgetary priority.
- Confirmation of ABAG ability of commit dues and assets to repayment of bonds.
- Development of ACFA issuance documents.
- Resolution of issuance approved by ACFA and MTC.

Association of Bay Area Governments

Finance Committee

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Agenda Item 6.a.

Pension Obligation Refinancing

Once we receive legal confirmation of the ability to commit set dues and commit them to debt service we will prepare the necessary issuance documents. The process will take approximately 60-90 days from completion of the legal analysis.

Recommended Action:

The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization to develop a pension bond financing to refinance the current unfunded ABAG pension obligation to PERS in an amount approximately \$17 million that will be paid to PERS with the bonds paid off over 15 years.

Attachment:

Presentation

Reviewed:



Therese W. McMillan

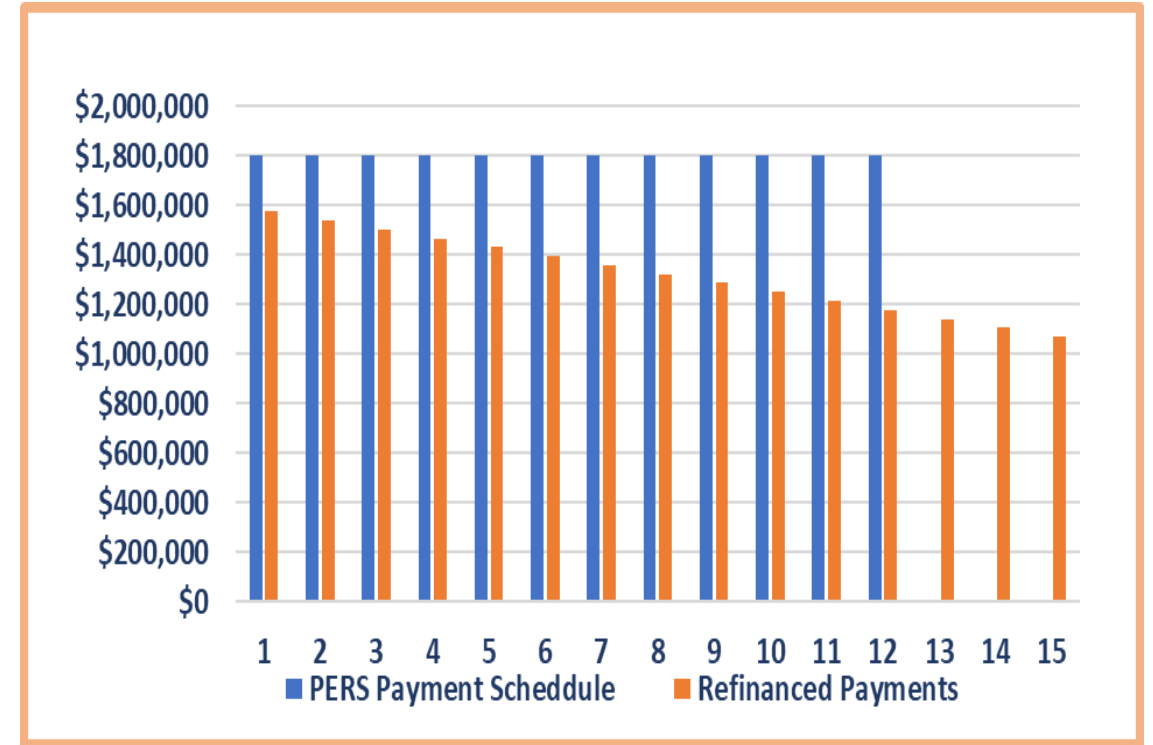
PERS Refinancing

- The market is offering an opportunity to refinance and retire the current \$15 million PERS pension obligation
- Current rates will generate annual savings
- Risks and mitigation
- Professional team

Current Market Rates Are Approximately Half the PERS Rate

	PERS Payments	Refinanced Payments
Liability	\$17 million	\$ 17 million
Payments	\$21.6 million	\$ 20 million
Rate	7.0% - 6,5%	3.50%

- Extending the payment schedule helps lower annual cashflow needs
- Level principal payments lower future annual payments
- Savings can be set aside to cushion future PERS rate changes



Risks & Mitigations

Risk

- Obligation is not retired
- “Bullet maturity” all \$15 million principal due at maturity
- No “prepayment” option
- PERS can change actuarial assumptions
- Perception ... using credit card to pay the mortgage

Mitigation

- ABAG is in runout, no additional staff will add to liability
- Plan is for equal principal payments over term
- Bonds can be structured to be prepaid at any time
- Savings can be reserved as a cushion

Professional Team

- **There are several professional firms required develop the refinancing**
 - **Bond Counsel: NixonPeabody**
Prepares the documentation for issuance and sale of the bonds
 - **Financial Advisor: Public Financial Management (PFM)**
Helps with documentation and evaluates fairness of fees and interest rates
 - **Underwriter:**
helps prepare issue for purchase and resale to investors
- **Professional services are generally paid out of the proceeds from the issuance**