

Meeting Agenda

Special Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study Implementation

MTC Committee Members:

James P. Spering, Chair Anne W. Halsted, Vice Chair

Alicia C. Aguirre, Scott Haggerty, Steve Kinsey

Sam Liccardo, Julie Pierce

Non-Voting Members: Tom Azumbrado, Dorene M. Giacomini

Friday, October 28, 2016

9:00 AM

Board Room - 1st Floor

This meeting is scheduled to be webcast live on the Metropolitan Transportation Commission's Website: <http://mtc.ca.gov/whats-happening/meetings> and will take place at 9:00 a.m.

1. Roll Call / Confirm Quorum

Quorum: A quorum of the Committee shall be a majority of its regular voting members (4).

2. Pledge of Allegiance

3. MTC Compensation Announcement - Committee Secretary

4. ABAG Compensation Announcement - Clerk of the Board

5. Consent Calendar

- 5a. [15-1857](#) MTC - Minutes of the May 27, 2016 Meeting

Action: MTC Planning Committee Approval

Attachments: [5a MTC SJM Minutes May 27 2016](#)

6. ABAG Administrative Committee Approval of Summary Minutes

- 6a. [15-1858](#) ABAG - Minutes of the October 14, 2016 Meeting

Action: ABAG Administrative Committee Approval

Attachments: [6a ABAG AC 20161028 Minutes](#)

7. MTC / ABAG Merger Study Implementation

7a. [15-1859](#) Update on the MTC / ABAG Staff Consolidation Effort

Update on the Implementation Action Plan activities, including progress on the legal, financial, and human resources due diligence elements.

Action: Information

Presenter: Steve Heminger, MTC and Brad Paul, ABAG

Attachments: [7a MTC ABAG Option 7 Implementation Memo](#)
[7a_Handout - Presentation Revised](#)

8. Public Comment / Other Business

9. Adjournment / Next Meeting

The next meeting of the Special Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study Implementation will be duly noticed.

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.

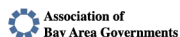
Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

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 #: 15-1857 **Version:** 1 **Name:**

Type: Minutes **Status:** Consent

File created: 8/8/2016 **In control:** Special Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study Implementation

On agenda: 10/28/2016 **Final action:**

Title: MTC - Minutes of the May 27, 2016 Meeting

Sponsors:

Indexes:

Code sections:

Attachments: [5a MTC SJM Minutes May 27 2016](#)

| Date | Ver. | Action By | Action | Result |
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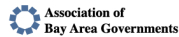
Subject:

MTC - Minutes of the May 27, 2016 Meeting

Recommended Action:

MTC Planning Committee Approval

Attachments



Agenda Item 5a

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105

Meeting Minutes - Draft

Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study

MTC Committee Members:

James P. Spering, Chair Anne W. Halsted, Vice Chair

*Alicia C. Aguirre, Scott Haggerty, Steve Kinsey
Sam Liccardo, Julie Pierce*

Non-Voting Members: Tom Azumbrado, Dorene M. Giacomini

Friday, May 27, 2016

9:00 AM

The Board Room - 1st Floor

1. Roll Call / Confirm Quorum

Present: 6 - Chairperson Spering, Vice Chair Halsted, Commissioner Aguirre, Commissioner Haggerty, Commissioner Kinsey and Commissioner Pierce

Absent: 1 - Commissioner Liccardo

Non-Voting Member Present: Commissioner Giacomini

Non-Voting Member Absent: Commissioner Azumbrado

Ex Officio Voting Members Present: Commission Chair Cortese and
Commission Vice Chair Mackenzie

Ad Hoc Non-Voting Members Present: Commissioner Luce and
Commissioner Rein Worth

ABAG Administrative Committee Members Present: Cortese, Eklund, Gupta, Haggerty, Harrison, Luce, Mar, Pierce, and Scharff.

2. Pledge of Allegiance

3. MTC Compensation Announcement - Committee Secretary

4. ABAG Compensation Announcement - Clerk of the Board

5. Consent Calendar

Approval of the Consent Calendar

**Upon the motion by Commissioner Pierce and second by Vice Chair Halsted, the
Consent Calendar was unanimously approved by the following vote:**

Aye: 5 - Chairperson Spering, Vice Chair Halsted, Commissioner Aguirre, Commissioner
Haggerty and Commissioner Pierce

Absent: 2 - Commissioner Kinsey and Commissioner Liccardo

5a. [15-1568](#) MTC - Minutes of the April 22, 2016 Meeting

Action: MTC Planning Committee Approval

Commissioner Kinsey arrived after the approval of the Consent Calendar.

6. ABAG Administrative Committee Approval of Summary Minutes

6a. [15-1569](#) ABAG - Minutes of the April 22, 2016 and April 29, 2016 Meetings

Action: ABAG Administrative Committee Approval

7. MTC / ABAG Merger Study - Management Partners

7a. [15-1570](#) Implementation Action Plan (IAP)

Action: Review and Approval / Commission Approval

The following individuals spoke on this item:

Revan Tranter, ABAG Executive Director Emeritus;

Matt Vander Sluis of Greenbelt Alliance;

Ken Bukowski;

Patricia R. Perry;

Michael Brinton, MTC staff and MTC CSR; and

Lee Huo, President of ABAG Chapter SEIU 1021.

Upon the motion by Commissioner Aguirre and second by Commissioner Pierce, the Implementation Action Plan was approved to be forwarded to the Commission for approval as amended to include a letter to the California State Assembly Select Committee on Regional Planning from MTC Commission Chair Cortese and ABAG Executive Board President Pierce regarding the unanimous approval of Option 7. The motion carried by the following vote:

Aye: 6 - Chairperson Spering, Vice Chair Halsted, Commissioner Aguirre, Commissioner Haggerty, Commissioner Kinsey and Commissioner Pierce

Absent: 1 - Commissioner Liccardo

8. Public Comment / Other Business

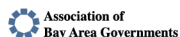
9. Adjournment / Next Meeting

The next meeting of the Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study will be duly noticed.



Metropolitan Transportation Commission

375 Beale Street, Suite 800
San Francisco, CA 94105



Legislation Details (With Text)

File #: 15-1858 **Version:** 1 **Name:**

Type: Minutes **Status:** Informational

File created: 8/8/2016 **In control:** Special Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study Implementation

On agenda: 10/28/2016 **Final action:**

Title: ABAG - Minutes of the October 14, 2016 Meeting

Sponsors:

Indexes:

Code sections:

Attachments: [6a ABAG AC 20161028 Minutes](#)

| Date | Ver. | Action By | Action | Result |
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Subject:
ABAG - Minutes of the October 14, 2016 Meeting

Recommended Action:
ABAG Administrative Committee Approval

Attachments

SUMMARY MINUTES (DRAFT)

ABAG Administrative Committee Meeting
Friday, October 14, 2016
Bay Area Metro Center
375 Beale Street, Board Room
San Francisco, California

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

ABAG President and Committee Chair Julie Pierce, Councilmember, City of Clayton, called the meeting of the Administrative Committee of the Association of Bay Area Governments to order at about 10:08 a.m.

The Committee met jointly with the Planning Committee of the Metropolitan Transportation Commission.

A quorum of the Committee was present.

Members Present

Councilmember Julie Pierce, City of Clayton
Supervisor Dave Cortese, County of Santa Clara
Mayor Pat Eklund, City of Novato
Vice Mayor Pradeep Gupta, City of South San Francisco
Supervisor Scott Haggerty, County of Alameda
Supervisor Mark Luce, County of Napa
Supervisor Eric Mar, City and County of San Francisco
Vice Mayor Greg Scharff, City of Palo Alto

Members Absent

Supervisor Dave Pine, County of San Mateo (Alternate)
Mayor Bill Harrison, City of Fremont
Councilmember Raul Peralez, City of San Jose
Supervisor David Rabbitt, County of Sonoma

Staff Present

Kenneth Moy, ABAG Legal Counsel
Miriam Chion, ABAG Planning and Research Director

2. ABAG COMPENSATION ANNOUNCEMENT

Fred Castro, Clerk of the Board, made the compensation announcement.

3. APPROVAL OF ABAG ADMINISTRATIVE COMMITTEE SUMMARY MINUTES OF MEETING ON JULY 8, 2016

President Pierce recognized a motion by Scott Haggerty, Supervisor, County of Alameda, which was seconded by Pat Eklund, Mayor, City of Novato, to approve the Administrative Committee summary minutes of September 9, 2016.

The ayes were: Pierce, Cortese, Eklund, Gupta, Haggerty, Luce, Scharff.

The nays were: None.

The abstentions were: None.

The absences were: Harrison, Mar, Peralez, Pine (Alternate), Rabbitt.

The motion passed unanimously.

4. MTC PLANNING COMMITTEE CONSENT CALENDAR

A. MTC Planning Committee Approval of Minutes of the September 9, 2016 Meetings

The MTC Planning Committee approved its minutes of the September 9, 2016 meetings.

5. PLAN BAY AREA 2040

A. Update on Plan Bay Area 2040 Draft Preferred Scenario and Investment Strategy

Ken Kirkey, MTC Planning Director, and Miriam Chion, ABAG Planning and Research Director, presented an update on recent efforts with Plan Bay Area 2040, including outreach to local jurisdictions and feedback to-date.

Members discussed local jurisdiction General Plans, Priority Development Areas, local elections, OBAG funding, joint committee discussion of policy issues, UrbanSim, economic check of Plan Bay Area, housing affordability, housing needed to solve housing problem, voter analysis, regional approach to transportation, regional approach to housing needed, Proposition 13 and funding revenues, inconsistency between UrbanSim and local jurisdiction General Plans, tools for building housing, need for detailed implementation plan, regional housing Marshall Plan, structural changes, social justice issues, workforce housing zoning, economic growth model, transportation investment, the term “preferred,” urban growth boundaries, production and implementation.

The following individuals gave public comment: Pedro Galvao, Nonprofit Housing Association of Northern California; Stevi Dawson, East Bay Housing Organizations; Louise Auerhahn, Working Partnership; Carol Taylor, North Bay Organizing Project; Matt Vander Sluis, Greenbelt Alliance; David Zisser, Public Advocates; Laura Cohen, Rails-to-Trails Conservancy; Tim Colen, San Francisco Housing Action Coalition; Peter Cohen, San Francisco Council of Community Housing Organizations; Scott Lane; Bob Allen, Urban Habitat; and Kirsten Spalding, San Mateo County Union Community.

6. PUBLIC COMMENT / OTHER BUSINESS

There was no public comment.

7. ADJOURNMENT / NEXT MEETING

Chair Pierce adjourned the meeting at about at 11:45 a.m.

The next joint meeting of the ABAG Administrative Committee and MTC Planning Committee on the ABAG/MTC Merger Study will be announced.

Submitted:

/s/ Ezra Rapport, Secretary-Treasurer

Date Submitted: October 24, 2016

Date Approved:

*For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913 or
FredC@abag.ca.gov.*

Legislation Details (With Text)

File #: 15-1859 **Version:** 1 **Name:**

Type: Report **Status:** Informational

File created: 8/8/2016 **In control:** Special Joint MTC Planning Committee with the ABAG Administrative Committee - Merger Study Implementation

On agenda: 10/28/2016 **Final action:**

Title: Update on the MTC / ABAG Staff Consolidation Effort

Update on the Implementation Action Plan activities, including progress on the legal, financial, and human resources due diligence elements.

Sponsors:**Indexes:****Code sections:**

Attachments: [7a MTC ABAG Option 7 Implementation Memo](#)
[7a Handout - Presentation Revised](#)

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Subject:

Update on the MTC / ABAG Staff Consolidation Effort

Update on the Implementation Action Plan activities, including progress on the legal, financial, and human resources due diligence elements.

Presenter:

Steve Heminger, MTC and Brad Paul, ABAG

Recommended Action:

Information

Attachments



Agenda Item 7a



TO: Special Joint MTC Planning Committee with the
ABAG Administrative Committee

DATE: October 21, 2016

FR: ABAG Deputy Executive Director and
MTC Executive Director

RE: Update on the MTC / ABAG Staff Consolidation Effort

In late May, both the Metropolitan Transportation Commission (MTC) and the Association of Bay Area Government (ABAG) Executive Board voted to support full functional consolidation of ABAG and MTC staff and the consideration of new governance options. This action retains the independence and statutory responsibilities of both boards and calls for new governance options to be considered by ABAG and MTC over the longer term. This plan — known as “Option 7” — was one of seven options identified by our joint consultant, Management Partners, and presented to MTC and ABAG last spring.

Transitioning from this larger policy decision to implementation of Option 7 requires that many additional details be worked out. Management Partners began the effort by preparing an Implementation Action Plan (IAP) last spring that identifies next steps. The Commission and ABAG’s Executive Board approved the IAP at their June 2016 meetings. The IAP calls for a sequence of some 40 actions to make the vision of a consolidated staff a reality. As one of the first steps, MTC began conducting due diligence, including financial and legal analyses undertaken by PFM and Orrick to determine the impacts on both ABAG and MTC of a staff consolidation. This due diligence work is wrapping up and key findings will be presented to the Joint Committee at your meeting next week.

Recently, ABAG and MTC also began developing a Contract for Services (contract) to officially consolidate the two staffs under the MTC executive director. This contract will ensure adequate staffing and support for all of ABAG’s statutory duties and responsibilities as the Bay Area’s Council of Governments, or COG. The Contract for Services will be the governing document on how ABAG and MTC successfully work together to ensure ABAG’s mission and obligations are met with its members, grantors, partners, and ABAG enterprise entities. The contract must be agreed to by both boards before staff consolidation can occur.

As part of this transition, we established an Employee Relations Group consisting of members of the MTC Committee for Staff Representation (CSR) and ABAG’s SEIU leadership teams, along with the HR Directors and Executive Management of MTC and ABAG, to discuss labor issues inherent in this staff consolidation. The Employee Relations Group has met three times to date with another meeting scheduled for October 27, 2016.

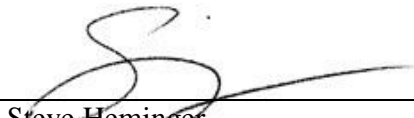
Also related to the employee transition element of the due diligence, MTC engaged Koff & Associates to document and compare MTC and ABAG employee programs, including classifications, organizational structure, jobs and employee programs. A kick-off meeting to review the scope of this effort was held with the Employee Relations Group in early August. In late September, Koff staff met separately with ABAG planners, MTC planners and the Employee Relations Group to explain the Position Description Questionnaires they are asking planners at both agencies to fill out to help Koff better advise MTC and ABAG on how best to consolidate planners into a single productive and efficient regional planning department. In mid-October, similar meetings were held with the rest of ABAG's staff and a representative sample of MTC's remaining staff. We expect findings and recommendations from this effort in mid-December.

Finally, we are in the review process to hire a consulting team to support and inform the integration of the MTC Planning Section and the ABAG Department of Planning and Research into one unified, integrated regional planning program. We hope to engage a firm in early November that has significant expertise and experience related to organizational change, short- and long-term strategic planning and human resources including best practices pertaining to team building for newly merged or expanded entities.

We look forward to sharing the legal and financial due diligence with you next week and getting your policy direction on the due diligence completed to date. This will help guide the completion of additional implementation steps over the next several months with the goal of bringing a Contract for Services to the Commission and ABAG Executive Board for approval in January 2017, with the staff consolidation to occur soon thereafter. Since the current MTC-ABAG funding agreement expires on December 31, 2016, we expect to present next month a short-term extension of that agreement through spring 2017 so that we have sufficient time to complete the contract for services and transition the ABAG employees to MTC service.



Brad Paul



Steve Heminger

BP / SH: ab / bp

Update on the MTC / ABAG Staff Consolidation Effort

JOINT MTC PLANNING AND ABAG ADMINISTRATIVE COMMITTEE

OCTOBER 28, 2016

Implementation Action Plan Status Report

- Financial Due Diligence
- Legal Due Diligence
- Enterprise Governance Review
- Employee Relations Group
- Human Resource Review
- Next Steps / TimelineSchedule Update



METROPOLITAN TRANSPORTATION COMMISSION

MTC/ABAG Consolidation Due Diligence Analysis

Prepared by:
Russ Branson
Director



Public Financial Management, Inc.

*50 California Street, Suite 2300
San Francisco, CA 94111*

Major Findings

- **Finding #1:** Current ABAG revenues will not cover existing services without changes in operations (these findings are consistent with the Management Partners financial analysis finding from the Spring of 2016)
- **Finding #2:** Pension costs will increase for both MTC and ABAG staff. The ABAG unfunded liability will stay with ABAG
- **Finding #3:** Retiree health costs will increase with the provision of benefits, but no expected offsetting revenues. Current Trust fund monies will offset current ABAG retiree costs
- **Finding #4:** MTC can close the budget deficit by strategically reducing costs and services
- **Finding #5:** ABAG dependence on grants is not matched by management of those grants—needs to be a major focus when moved to MTC
 - Overhead charged to grants cannot be increased until grants are renewed or replaced
- **Finding #6:** Unable to verify current grant data (balance, ABAG funding, overhead allowance) for grants from the Finance department. Latest data provided by ABAG Finance was from the spring of 2015
- **Finding #7:** ABAG centralized budget and general ledger accounting systems do not provide data sufficient to fully understand the ABAG financial systems (e.g., detailed budget data is not available for the current fiscal year)

Major Recommendations

- Balance revenues and expenses for the ABAG programs
- Develop plan to address unfunded pension and retiree health liabilities
- Implement management controls on ABAG systems

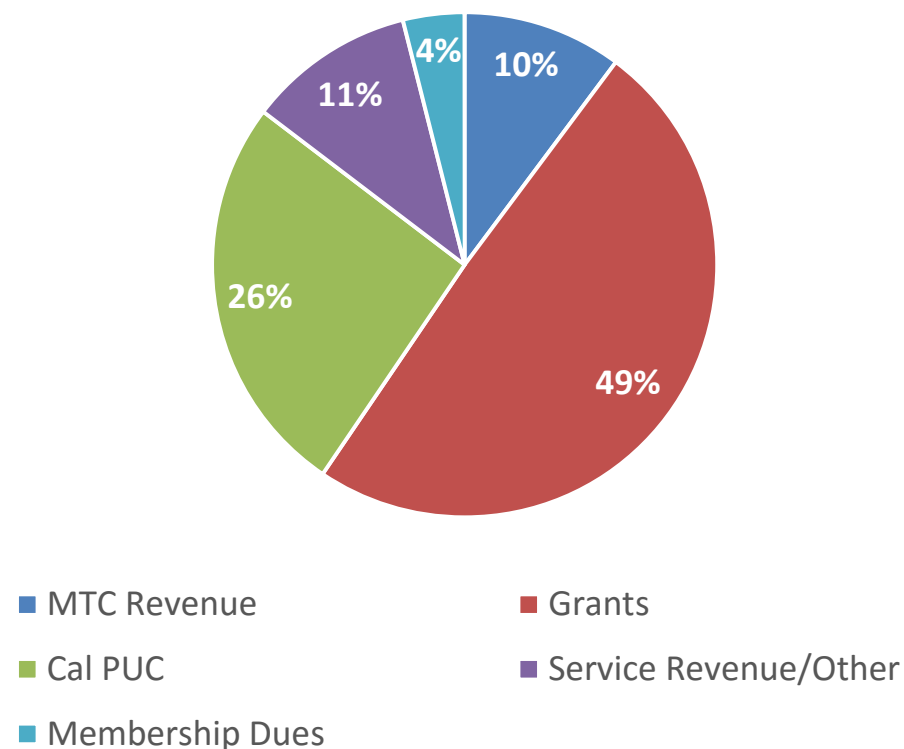
Areas of Analysis

1. Grants
2. Workforce Impacts
3. Unfunded Liabilities
4. Budget Forecast Model

ABAG Revenues | Heavy Reliance on Grants

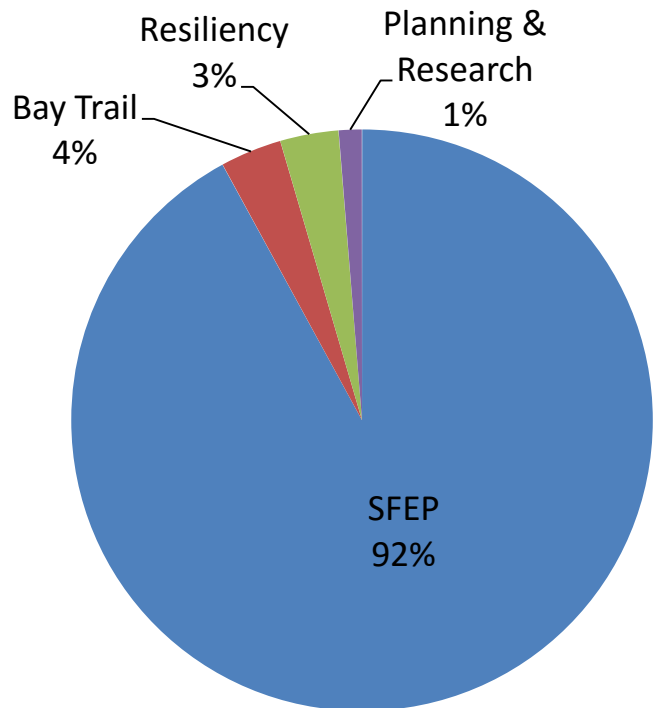
- 85% of ABAG's revenue comes from MTC, the PUC, and other State and Federal grants
- The reliance on grant revenues creates a risk of future funding fluctuations
- Ongoing grant revenues must be sufficient to fund:
 - Program Staff
 - Consulting Costs
 - Administration and Overhead

ABAG FY2017
Revenues by Category



Use of Grants by ABAG | Major Source of Funding

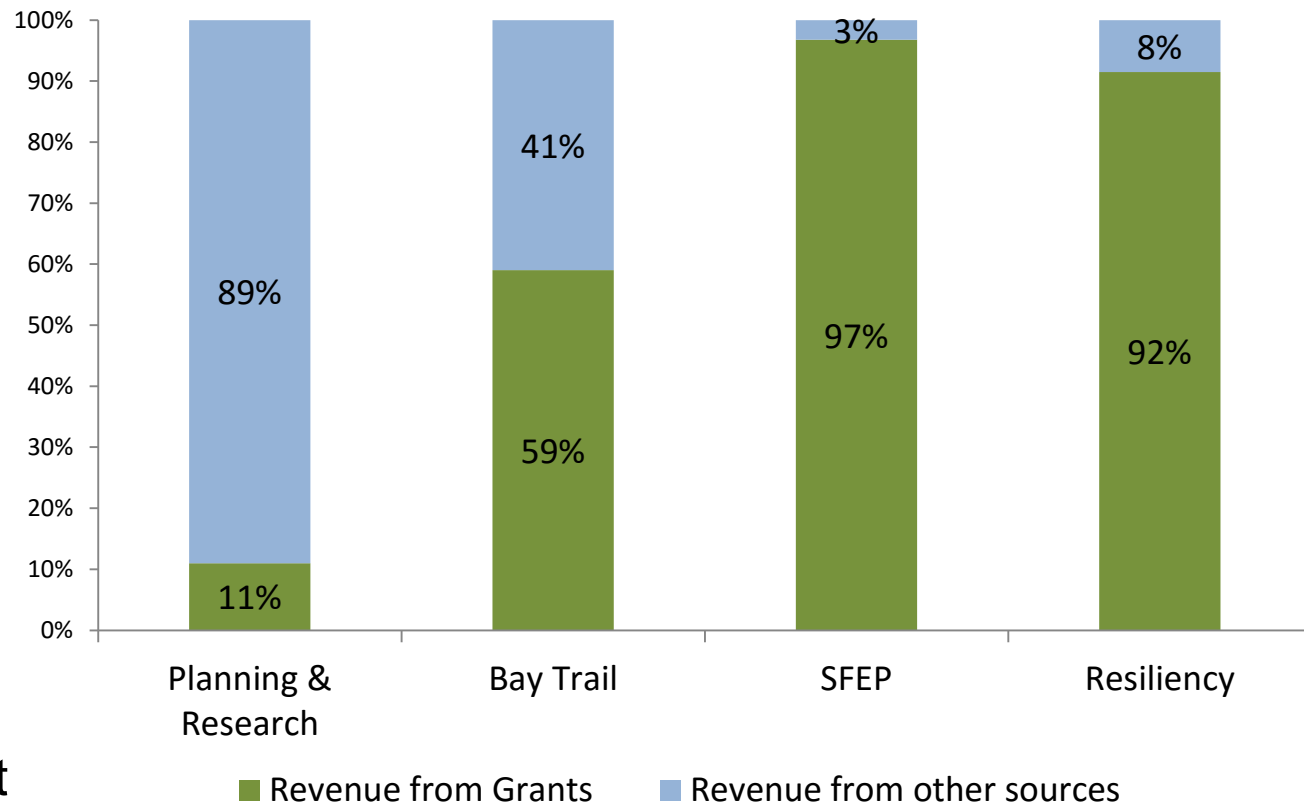
FY16 Grant Revenues* by Program Area



Over 90% of ABAG's Grant revenues support the activities of the SF Estuary Partnership

* Note: Excludes MTC revenues & BayREN's PUC funding

FY16 Revenues by Source

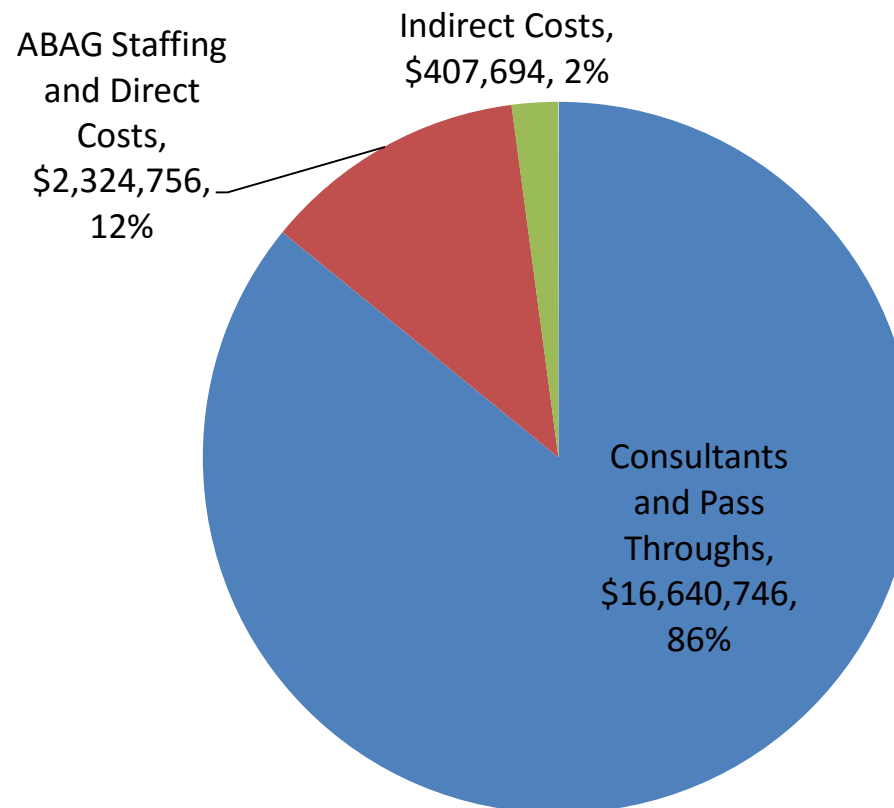


Virtually all SFEP and Resiliency activities are funded through grants

Where Grant Revenues* Go | Funding Conduit for Region

- Only 14% of FY16 grants revenues are allocated to ABAG costs (staffing, direct, and indirect costs).
- Median Consultant/Pass through expenditures amount to 49% of grant revenues
 - Notable exception: Over 93% of Sustainable Communities Planning Grant funds (\$505,000) are allocated to ABAG costs

FY16 Budgeted Grant-Funded Expenses



Source: FY16 OWP Budgets

* Excludes MTC funds

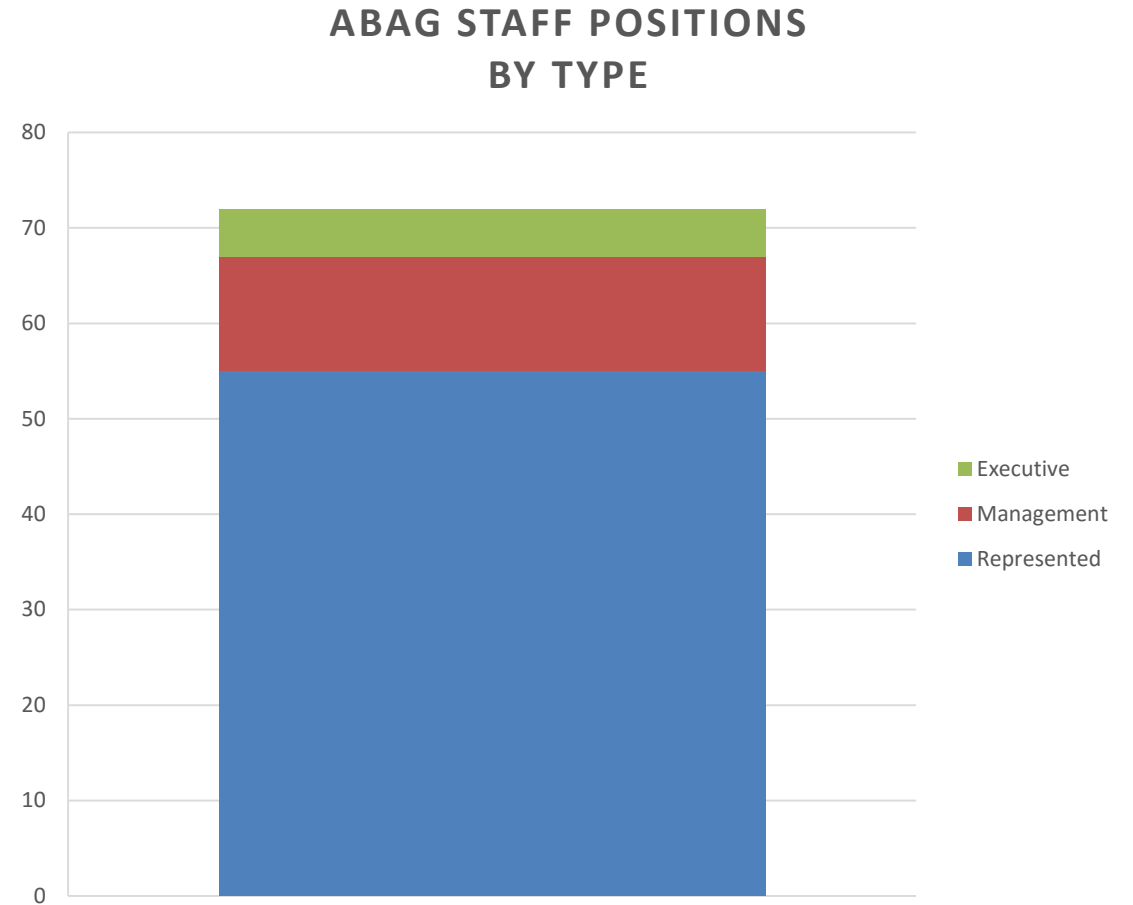
- Current grant contracts **do not allow for modifications to overhead charges** or pass-through budgets—*most contracts run through FY17 or FY18 with some extending to FY20 and beyond*
- **Some state grant contracts preclude reimbursement of indirect costs**, such as non-project specific accounting and personnel services, facilities costs, etc. (State Water Resources Control Board, State Natural Resources Agency)
- **Match obligations are usually met by sub-grantees**
 - Exception: Clean Vessel Education Grant, where ABAG is counting non-reimbursable overhead, volunteer labor, and below-market subcontractor rates towards the \$146,758 match obligation.

Grants | Overall Findings

- Under the current system, individual project managers oversee ongoing grants monitoring, invoicing, and lifecycle disbursement with **little oversight or direction from ABAG Management or Finance team**
- There is **no standardized data reporting or collection system** beyond the annual OWP budget reporting process.
 - PFM was able to confirm outstanding ABAG vs. pass-through balances only for SFEP grants. Such data is not readily available for other ABAG grants
 - PFM was not able to confirm whether grant revenues have been sufficient to cover the actual direct costs incurred in project implementation

Current ABAG Workforce Composition

- ABAG currently has 72 authorized employee positions
- A majority of these positions (55) are represented positions
- Twelve positions are program managers
- Five positions comprise the executive management team



Modeled Plan of Action

Employees

- All ABAG employees become MTC employees
 - Salary and benefits at MTC levels
 - Retiree Health care to all ABAG employees with years of service credit

Organizations

- ABAG remains separate agency and contracts with MTC for program services
- ABAG maintains assets and liabilities
- ABAG maintains OPEB trust for retiree health payments

Workforce Pay and Benefit Differences

Pay

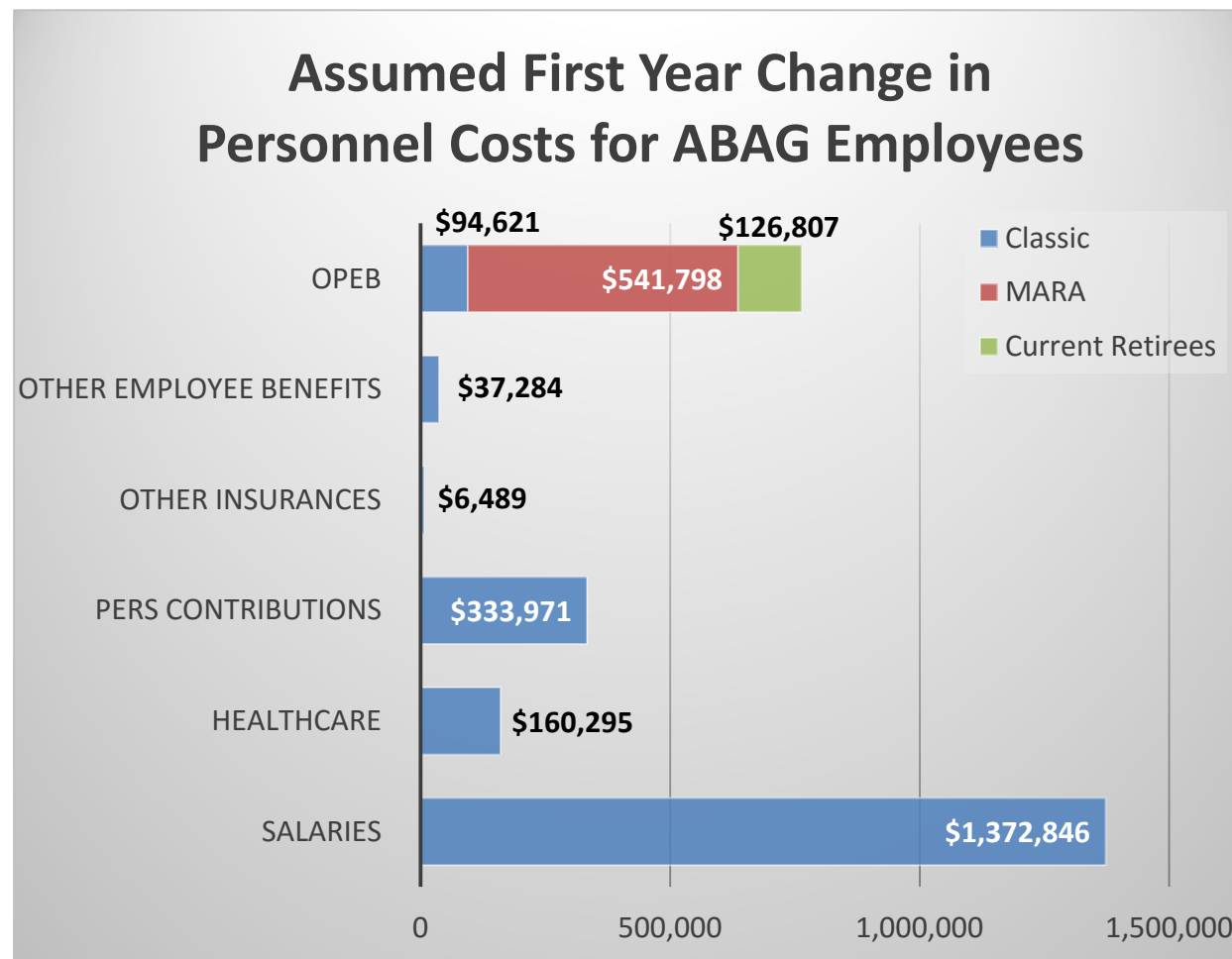
- MTC has overall higher pay scales than ABAG
 - Differences vary by position
 - Recommended compensation is not a part of the financial due diligence analysis
- Increased pay directly impacts pension costs

Benefits

- MTC does not pay into social security
- MTC has a 3% pension COLA, while ABAG's has a 2% COLA
- Similar insurance benefits in both agencies
- Retiree health much better overall at MTC—New for half of ABAG employees

Compensation Changes | Significant Increases for MTC

- Overall personnel expenses will **increase \$2.6M per year** with the move to MTC
- Salaries (*recommendations to come from Koff & Associates, MTC's HR consultant*), pension contributions, and OPEB are the primary cost drivers
- OPEB is shown in three parts: 1) \$95K for classic employees, 2) \$540K for MARA employees, and 3) \$120K for employees with retiree health
- MTC pension costs for existing employees are also expected to rise 0.5% of salary with the addition of ABAG staff



Baseline Budget Forecast | Revenue Assumptions

Grants

■ **MTC Funding**

- **FHA, FTA, and TDA** revenues escalate at 2.1% per year
- All **other MTC funding** sources (STA, bridge tolls, and contract revenues) are held flat

■ **Federal Grants**

- Homeland Security and miscellaneous grants held flat
- EPA held flat after reduction to expected ongoing grants
- East Bay Brownfield Assessment adjusted for actual revenues per Planning Director

■ **State Grants**

- DWR winds down through FY20, assumed wind down through FY23 at same rate of reduction
- PUC grant held flat—contract through FY25
- Delta Stewards Council held at FY17 levels
- Coastal Conservancy grant expires in FY18

Other Revenue

■ **Contracts** with outside agencies

- Grow with increases in personnel and operating costs—assume ABAG charges full cost recovery

■ **Service Programs**

- JPAs—assumes continued payment at FY17 levels for administrative services
- Conference Services grow with cost of conferences
- Other revenue either no growth or grow at CPI

■ **Membership Dues** increase at CPI

Baseline Budget Forecast | Expense Assumptions

Personnel Costs

- **Salaries** grow at 2.6% per year
- All **benefits** at MTC rates
 - Health care grows at 5% to 7% per year from the MTC OPEB valuation
 - Worker's comp/unemployment/Medicare grow with salary costs
 - No social security costs
- **Pension costs for ABAG employees**
 - Normal cost at 10.6%--accounts for higher pension COLA at MTC
 - Unfunded liability as shown in the ABAG valuation
- **Pension costs for current MTC employees**
 - Increase from 10.1% to 10.6% of salary due to lower average entry age for ABAG employees

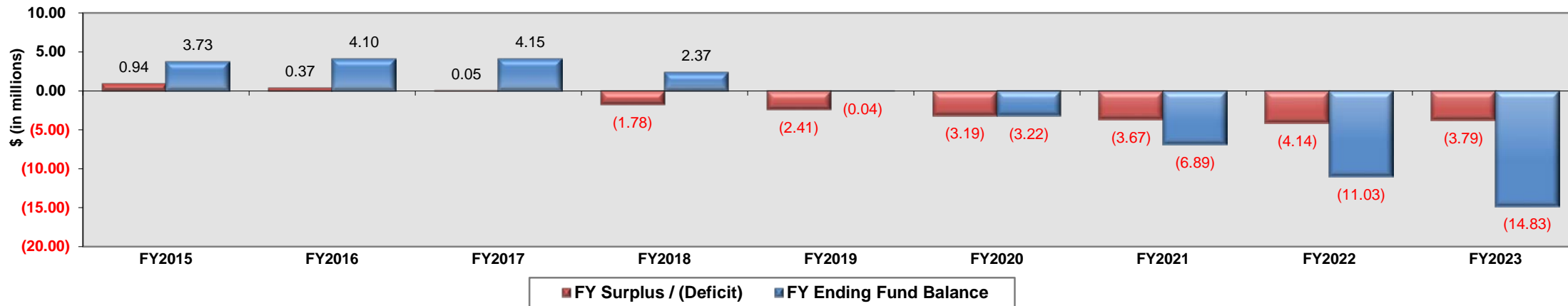
Non-Personnel

- **Technical Consultants** tied to revenue levels. Remain in budget model at FY17 funding ratio (e.g., 98% of grant used for "Technical Consultants")
- **Other Consultants** grow at CPI
- **Pass Through Expenses** are reduced as funding expires
- **Operating Costs**
 - Base costs grow at CPI
 - If grant source is reduced or eliminated, associated personnel costs remain in place
 - BayRen retrofits tied to PUC grant revenue

Budget Projections | Baseline Model Results

- The Baseline model assumes:
 - All ABAG staff positions transfer to MTC
 - All revenues and expenses for both MTC and ABAG are included in the budget forecast
 - Grant expenses track with revenues at same proportion as included in the FY17 budget
- The results of the Baseline model show that the consolidation could put significant financial pressure on MTC unless adjustments are initiated—projected cumulative **\$15M deficit by FY23**
- Management Partners estimated 16.1% reduction in personnel and other costs is needed to balance the ABAG budget

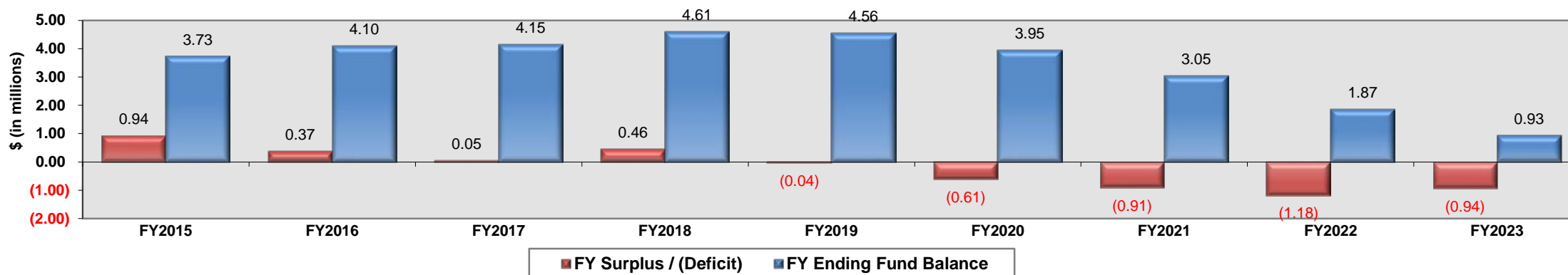
Baseline Forecast Model –Program Cost Moving ABAG Staff to MTC



Budget Forecast Scenario #1 | Alternative Model Results

- Scenario #1 includes:
 - Increase JPA reimbursements to match staffing cost increases
 - Reduce personnel costs (e.g. vacancies, management redundancies) and other operating expenses by 15% (as indicated in Management Partners financial analysis)--\$2.3M in FY18 growing to \$2.5M in FY23
- These changes improve net revenue, but do not remove budget deficit
- Deficit of less than \$1M—and cumulative fund balance reduction of \$3.7M—in FY23

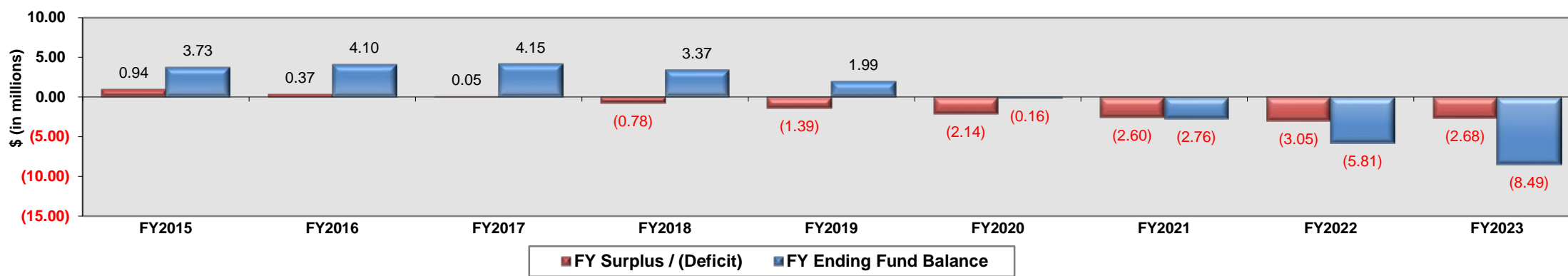
MTC/ABAG Consolidation **Scenario #1** Budget Forecast
Increase JPA Fees/Reduce Operating Expenses



Budget Forecast Scenario #2 | Alternative Model Results

- Scenario #2 includes:
 - Increase of revenue of approximately **\$1 million** (with annual inflation adjustment)
 - Revenue options: 1) Dues increase/formula adjustment; 2) Enterprise fee increases; 3) New product for services; 4) Other
- Revenue increase will not eliminate the projected deficit in net revenues for ABAG programs—projected to be \$2.7M in FY23
- By FY23, the fund balance is projected to have a deficit of \$8.5M

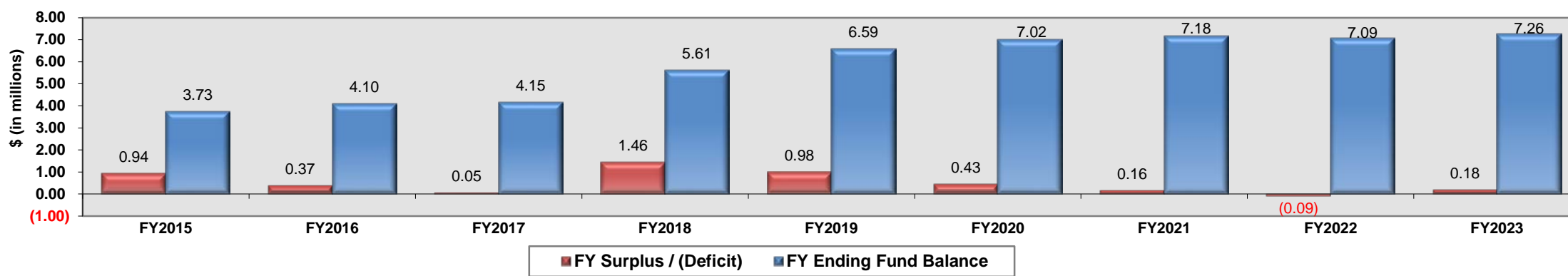
MTC/ABAG Consolidation [Scenario #2](#) Budget Forecast
Increase Revenues by approximately \$1 million



Budget Forecast Scenario #3 | Alternative Model Results

- Scenario #3 includes:
 - Revenue increase of approximately \$1 million (increases annually by inflation)
 - Reduce personnel (e.g. vacancies, management redundancies) and other costs by 15%
- The combination of these changes can eliminate the deficit in FY18 and preserve ABAG's fund balance in each projected year, with the exception of FY22—keeping the fund balance at over \$7M

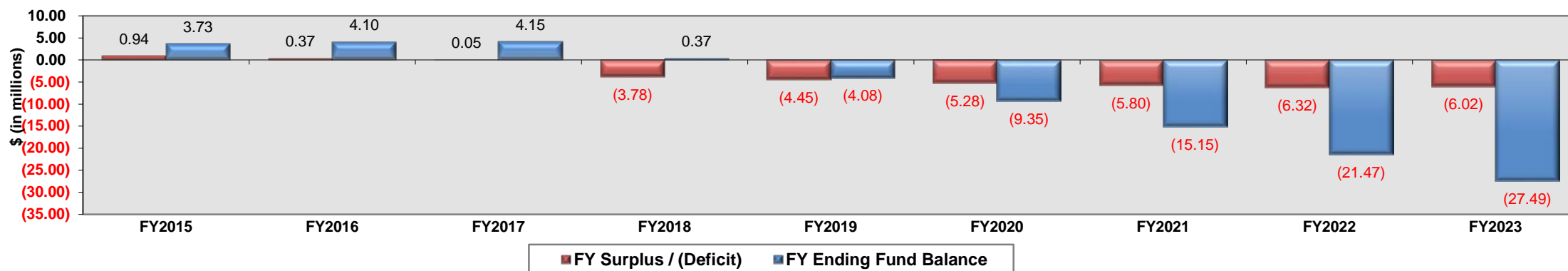
MTC/ABAG Consolidation [Scenario #3](#) Budget Forecast
Increase Revenues by approximately \$1 million / Reduce Operating Expenses



Budget Forecast Scenario #4 | Alternative Model Results

- Scenario #4 includes:
 - Removal of membership dues from Baseline forecast
- Ongoing membership dues are critical for the continuation of key ABAG programs
- Elimination of membership dues would increase year-end deficit by approximately 58.7% from the Baseline in FY23—increasing the cumulative deficit to \$27.5M

MTC/ABAG Consolidation Scenario #4 Budget Forecast
No Membership Dues





**METROPOLITAN
TRANSPORTATION
COMMISSION**

**MTC/ABAG Consolidation
Due Diligence Analysis**

**Prepared by:
JUSTIN COOPER
*ORRICK, HERRINGTON & SUTCLIFFE LLP***

Areas of Focus – Legal Due Diligence

1. ABAG Grant Funding
2. Compensation and Benefits/Employment
3. ABAG Enterprises

Key Takeaway – No legal impediment to staff consolidation

ABAG Grants – Legal Overview

- **Assignment**

Group 1 (freely assignable): 14 grants aggregating to \$16,697,248

Group 2 (assignable with grantor consent): 17 grants aggregating to \$93,956,238

Group 3 (not assignable): two grants aggregating to \$717,692

- **Termination**

15 grant agreements in the aggregate amount of \$82,828,627 provide the grantor with the ability to terminate on short notice without cause

- **Expiration**

22 grant agreements, aggregating to \$79,344,127, expire within 1-3 years

Employment/Compensation & Benefits

General

- Employees subject to technical termination of employment from ABAG will need to be hired by MTC
- ABAG employees have certain benefits that are collectively bargained; will need to address union benefits as part of the integration
- Existing benefit plans and arrangements sponsored by ABAG will need to be wound up following the consolidation
- ABAG employees will move onto MTC benefit plans

CalPERS

- ABAG and MTC have separate contracts with CalPERS, but both are covered employers
- After consolidation, new MTC employees will
 - maintain their existing benefit earned while at ABAG; and
 - be covered by the MTC contract with CalPERS (i.e., receive benefits going forward based on the MTC contract with CalPERS)
- Upon retirement, CalPERS will calculate both benefits and aggregate the two to determine the retiree's ultimate benefit

ABAG Enterprises

1. **PLAN – Pooled Liability Assurance Network**
Provides pooled liability and other insurance
2. **SHARP – Shared Agency Risk Pool**
Provides pooled workers' compensation insurance
3. **POWER – Publicly OWned Energy Resources**
Pooled natural gas purchasing
4. **BayREN – Bay Area Regional Network**
Partners with utilities to provide energy efficiency improvements
5. **FAN – Finance Authority for Nonprofit Corporations**
Issues bonds on behalf of members to finance public and private projects
6. **BayTrail – The San Francisco Bay Trail**
Maintains and oversees approx. 500 miles of interconnected public trails around the San Francisco Bay
7. **SFEP – San Francisco Estuary Project**
Advances wetlands restoration for federally-designated “nationally significant estuary” under National Estuary Program
8. **SFBRA – San Francisco Bay Restoration Authority**
Raises and allocates resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in the San Francisco Bay

ABAG Enterprises – Governance

- Most but not all enterprises are separate legal entities
 - Three joint powers authorities (SHARP, POWER, FAN)
 - Two associations governed by MOU or other less formal structure (BayREN, SFEP)
 - Two corporations (PLAN*, Bay Trail)
 - One created by statute (SFBRA)
- As a legal matter, ABAG's role in governance is slightly different for each enterprise
- ABAG has historically taken a lead role in running the enterprises, in addition to providing most or all staffing support

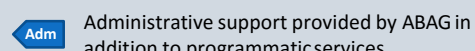
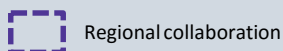
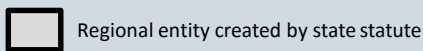
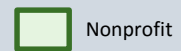
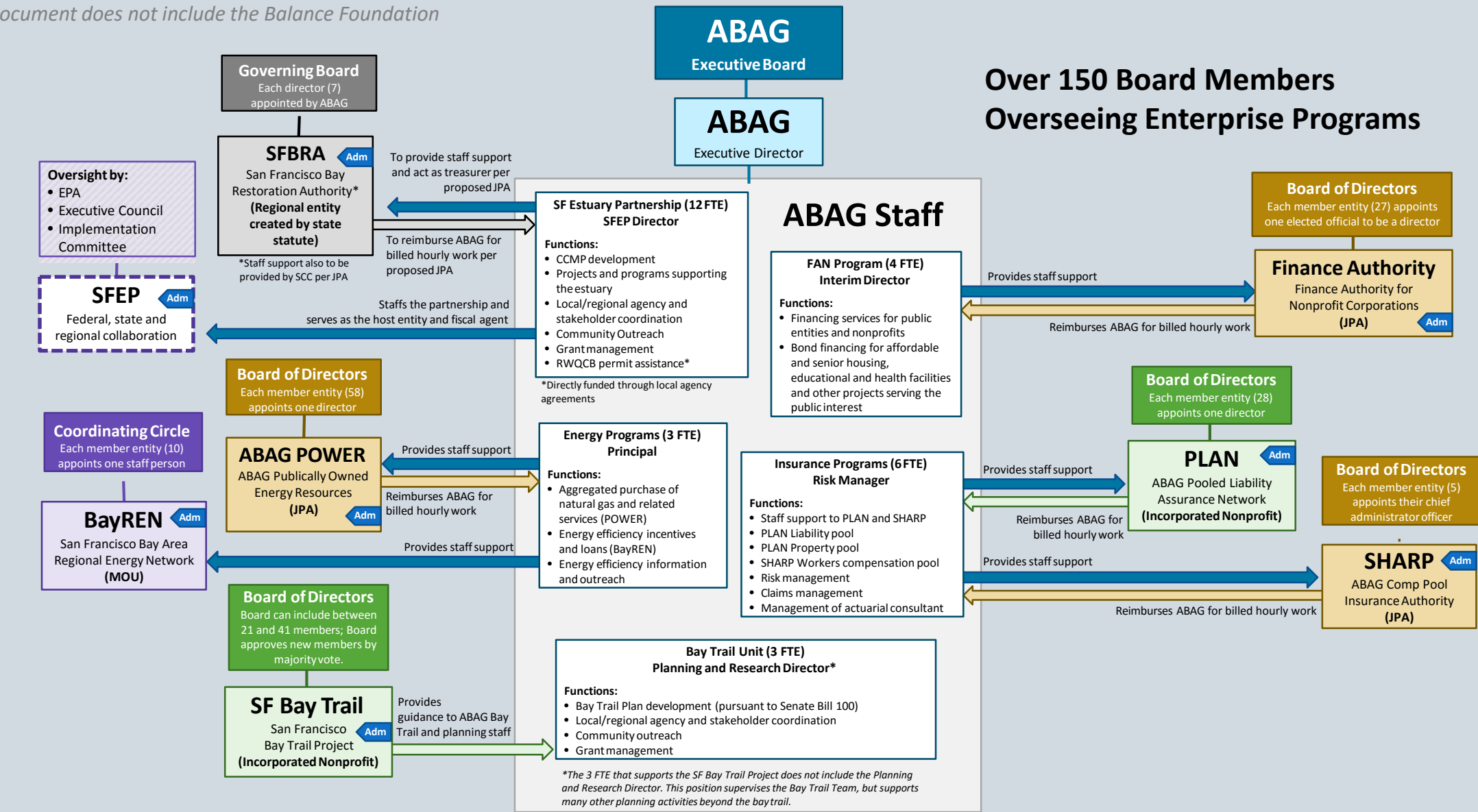
*PLAN itself is not a separate legal entity, but ABAG and the other member insureds have appointed PLAN Corp to administer the program

ABAG Enterprises – Consolidation with MTC

- Expectation is that staff currently providing support for enterprises will continue to do so
- MTC and ABAG may provide in Services Contract that MTC directs and “stands in the shoes” of ABAG without changing current legal documents or governance structures
- Alternatively, governance for some or all of the enterprises may be changed
 - Could create a direct control/reporting relationship between the enterprises and MTC’s Board/senior staff, such that MTC would have, and be assured of maintaining, direct influence over the functioning of the enterprises
 - Could also clear up “dual capacity” appointments in which, at the moment, governing documents provide in many cases that ABAG senior staff (ED, Finance Director) automatically serve as senior staff to enterprises
 - Affords opportunity to clean up governance documents with benefit of years/decades of experience
 - Requires cooperation of members to convene meetings and amend governance documents
 - Because SFBRA is statutorily created, governance change would require action by State Legislature

ABAG Enterprise Programs Governance Structure Summary

Document does not include the Balance Foundation



Employee Relations Group

Comprised of MTC/ABAG Exec Management, HR teams, and representatives of ABAG SEIU and MTC CSR

■ **Four meetings to date:**

- 7/8 — Kick-off with Chair Cortese and President Pierce
- 8/8 — Classification and Compensation Study Scope Review
- 9/27 — Koff & Associates Phase 1 Findings
- 10/27 — Due Diligence Update

Human Resource Due Diligence

- Koff & Associates preparing a comparative analysis of MTC and ABAG classifications and benefits.
- Purpose - to assess the similarities and differences in the duties and responsibilities as well as knowledge, skills, and abilities, and competencies between the classifications of each agency for position leveling

Human Resource Due Diligence Status

■ **September/October:**

- Initial Meetings with Employee Relations Group, HR & Project Team
- Orientation Meetings with Employees
- Position Description Questionnaire Completion & Review

■ **October/early November**

- Employee & Supervisor Interviews
- Draft Class Concepts
- ERG, HR, Management Review

■ **Late November: Final Report and Recommendations**

Next Steps / Timeline

■ November/December

- Continue Due Diligence
- Continue Development of Contract for Services
- Extend ABAG Funding Agreement through March 2017

■ January

- MTC/ABAG Executive Board consider approval of the Contract for Service and MOU

■ February/March

- ABAG Employee Transition to MTC