ASSOCIATION OF BAY AREA GOVERNMENTS

Meeting Transcript

ASSOCIATION OF BAY AREA GOVERNMENTS

FINANCE COMMITTEE

THURSDAY, SEPTEMBER 16, 2021, 5:00 P.M.

KAREN MITCHOFF, CHAIR: GOOD EVENING. WELCOME TO THE ABAG FINANCE COMMITTEE MEETING. I'M GOING TO CALL THE MEETING TO ORDER BUT WOULD LIKE TO CALL THE MEETING ANNOUNCEMENT, PLEASE. [RECORDED MEETING PROCEDURES ANNOUNCEMENT] DUE TO COVID-19 THIS MEETING WILL BE CONDUCTED AS A ZOOM WEBINAR PURSUANT TO THE PROVISIONS OF THE GOVERNOR'S EXECUTIVE ORDER N-29-20 WHICH SUSPENDS CERTAIN REQUIREMENTS OF THE BROWN ACT. THIS MEETING IS BEING WEBCAST ON THE MTC WEB SITE. THE CHAIR WILL CALL UPON COMMISSIONERS, PRESENTERS, STAFF, AND OTHER SPEAKERS BY NAME AND ASK THAT THEY SPEAK CLEARLY AND STATE THEIR NAMES BEFORE GIVING COMMENTS OR REMARKS. PERSONS PARTICIPATING VIA WEBCAST AND ZOOM WITH THEIR CAMERAS ENABLED ARE REMINDED THAT THEIR ACTIVITIES ARE VISIBLE TO VIEWERS. COMMISSIONERS AND MEMBERS OF THE PUBLIC PARTICIPATING BY ZOOM WISHING TO SPEAK SHOULD USE THE RAISE HAND FEATURE, OR DIAL STAR NINE, AND THE CHAIR WILL CALL UPON THEM AT THE APPROPRIATE TIME. TELECONFERENCE ATTENDEES WILL BE CALLED UPON BY THE LAST FOUR DIGITS OF THEIR PHONE NUMBER. IT IS REQUESTED THAT PUBLIC SPEAKERS STATE THEIR NAMES AND ORGANIZATION, BUT PROVIDING SUCH INFORMATION IS VOLUNTARY. WRITTEN PUBLIC COMMENTS RECEIVED AT INFO@BAYAREAMETRO.GOV BY 5:00 P.M. YESTERDAY WILL

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BE POSTED TO THE ONLINE AGENDA AND ENTERED INTO THE RECORD BUT WILL NOT BE READ OUT LOUD. IF AUTHORS OF THE WRITTEN CORRESPONDENCE WOULD LIKE TO SPEAK, THEY ARE FREE TO DO SO. A ROLL CALL VOTE WILL BE TAKEN FOR ALL ACTION ITEMS. PANELISTS AND ATTENDEES SHOULD NOTE THAT THE CHAT FEATURE IS NOT ACTIVE.

KAREN MITCHOFF, CHAIR: ALL RIGHT. THANK YOU VERY MUCH. MR. CASTRO WOULD YOU CALL THE ROLL?

CLERK OF THE BOARD: ARREGUIN?

JESSE ARREGUIN: PRESENT.

CLERK OF THE BOARD: CHAVEZ IS ABSENT. MITCHOFF?

KAREN MITCHOFF, CHAIR: HERE.

CLERK OF THE BOARD: RAMOS?

BELIA RAMOS: HERE.

CLERK OF THE BOARD: QUORUM IS PRESENT.

CLERK OF THE BOARD: SPERING?

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JAMES SPERING: PRESENT.

CLERK OF THE BOARD: QUORUM IS PRESENT.

KAREN MITCHOFF, CHAIR: THIS IS AN OPPORTUNITY FOR ANYONE WHO WISHES TO ADDRESS US UNDER PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA. THERE WILL BE AN OPPORTUNITY FOR ON AGENDA ITEMS FOR PUBLIC COMMENT. MR. CASTRO ARE THERE ANY PUBLIC COMMENTS?

CLERK OF THE BOARD: THERE ARE NO MEMBERS OF THE PUBLIC WITH THEIR HAND RAISED, AND THERE WAS NO PUBLIC COMMENT SUBMITTED ON THIS ITEM.

KAREN MITCHOFF, CHAIR: COMMITTEE MEMBER ANNOUNCEMENTS? SEEING NONE. ITEM FOUR, THE CHAIR'S REPORT. I DON'T HAVE A REPORT. I'M GOING TO MOVE TO THE CONSENT CALENDAR. ITEM FIVE, THE FINANCE COMMITTEE MINUTES AND THE SUMMARY SHEET CONTRACTS. ANYBODY WANT TO PULL ANYTHING? OR -- OKAY. PUBLIC COMMENT, MR. CASTRO?

CLERK OF THE BOARD: THERE ARE NO MEMBERS OF THE PUBLIC WITH THEIR HAND RAISED, AND THERE WAS NO PUBLIC COMMENT SUBMITTED ON THIS ITEM. IS.

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KAREN MITCHOFF, CHAIR: WONDERFUL. SINCE WE HAVE SUCH A SMALL COMMITTEE MEETING TONIGHT, I'M GOING TO ASK IF MR. SPERING WOULD LIKE TO MAKE THE MOTION.

JAMES P. SPERING: YES. I WILL MOVE.

KAREN MITCHOFF, CHAIR: AND I BELIEVE MS. RAMOS WOULD LIKE TO SECOND IT?

BELIA RAMOS: I WOULD.

KAREN MITCHOFF, CHAIR: ROLL CALL, MR. CASTRO?

CLERK OF THE BOARD: [ROLL CALL VOTE] THANK YOU. MOTION PASSES UNANIMOUSLY.

KAREN MITCHOFF, CHAIR: THANK YOU. ITEM 6A REPORT ON ABAG FINANCIAL STATEMENTS FOR THE PERIOD ENDING JUNE 30TH, 2021. AND MR. MAYHEW IS GOING TO GIVE THIS REPORT. GO AHEAD BRIAN.

BRIAN MAYHEW: THANK YOU. HELLO EVERYBODY. AS I LOOK ACROSS THE WORLD OF SQUARES. IT'S PRETTY COOL. I AM HERE TO GIVE YOU THE ABAG FINANCIAL REPORT FOR ENDING YEAR FISCAL YEAR 2021. AT THE OUTSET, THESE ARE UNAUDITED NUMBERS, SUBJECT TO FINAL ADJUSTMENTS AS WE GO THROUGH THE AUDIT, AND IN FACT QUITE

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FRANKLY I HAVE SCHEDULES ON MY DESK THIS HIGH. SO IT PROBABLY WILL CHANGER A LITTLE BIT. BUT LET ME GO THROUGH THE HIGHLIGHTS AND A SUMMARY REALLY QUICKLY. OVERALL, I'LL SAY THIS AFTER I TAKE A DEEP BREATH. OVERALL OPERATING DEFICIT OF ROUGHLY $2 MILLION. NOW, BEFORE YOU GO AND FIRE ME, I'LL START ADJUSTING THAT A LITTLE BIT. THE ESTUARY PARTNERSHIP COMES UP WITH A LITTLE BIT OF A DEFICIT OF $96,000. THAT'S ALWAYS A DEFICIT. WE ADJUST BETWEEN INVOICES AND GET REIMBURSEMENT OF GRANTS. [INDISCERNIBLE] SAME SITUATION. A VERY SMALL DEFICIT, $130,000 ON 21 MILLION REVENUE. THAT IN PRETTY GOOD SHAPE. A TIMING DEFICIT AT THE END OF THE YEAR. LET'S GET TO THE POINT MAIN EVENT, WHICH IS ABAG ADMINISTRATION. THERE, THE DEFICIT JUST ON THE NATURAL ON AN ACCOUNTING BASIS, IS $8.18 MILLION. NOW WE'RE GOING TO MAKE ADJUSTMENTS BEFORE YEAR END. THERE IS REVENUE THAT'S NOT ON THE BOOKS IN TIME SO THE OFFSET OF THE OPEB PAYMENT HAS NOT RECORDED YET. THERE IS A TRANSFER IN THAT HAS NOT RECORDED YET. FORTUNATELY ALL OF YOUR EXPENSES WERE RECORDED. IT'S CREATING A BIGGER DEFICIT THAN IT SHOULD BE, IT ALSO HAS DEPRECIATION IN THERE WHICH IS AN ACCOUNTING TERM FOR -- SOMEHOW YOU OWN EQUIPMENT THAT WE'RE DEPRECIATING AND AGAIN THAT IS A PAPER EXPENSE, YOU DON'T GET ANY TAX BENEFIT FOR IT. IT'S NOT PARTICULARLY SOMETHING I WORRY ABOUT. AFTER ALL THE ADJUSTMENTS, WE WIND UP WITH AN OPERATIONAL DEFICIT OF ABOUT $600,000. NOW, LAST YEAR, ABOUT THIS TIME, AND LAST YEAR, GOING INTO THE YEAR END AUDIT, I -- WE HAD A BIT OF A

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DISCUSSION ON WHAT IS YOU HAVE A STRUCTURAL DEFICIT. WE HAVE $3.1 MILLION IN ASSETS, IN REVENUE, AND YOU HAVE GOT STRUCTURALLY, NEARLY $4.2 MILLION IN BUDGETED EXPENSES. OBVIOUSLY, THIS CANNOT GO ON AND CONTINUE FOREVER. IN FACT, WE DON'T WANT IT TO CONTINUE EVEN INTO NEXT YEAR. I STARTED HAVING A DISCUSSION ON THIS LAST YEAR. I HAD TO HOLD OFF, BECAUSE SOME OF THE THINGS I WAS GOING TO RECOMMEND, LITERALLY, OTHER PEOPLE HAVE TO TELL ME IT'S OKAY TO DO THEM BEFORE I CAN EVEN RECOMMEND THEM TO YOU. BUT I DO HAVE SOME THINGS THAT I THINK WILL BRING YOU INTO A, NOT ONLY A BALANCE, BUT A SURPLUS, AND BUILD A RESERVE INTO THE FUTURE YEARS. LET'S FACE IT, YOU'RE GOING TO BE WITH MTC DOING HOUSING AND EVERYTHING ELSE FOR A LONG TIME. SO YOU MAY AS WELL BE FINANCIALLY SOLVENT, AS WELL. THE FIRST THING I PUT ON THE LIST, THEY REALLY THINK WE SHOULD THINK ABOUT IS YOUR PENSION OBLIGATION. I COULD NOT ACT ON THIS LAST YEAR, BECAUSE IT -- THE PENSION IS IN WHAT IS CALLED POOLED FUND. YOU'RE NOT BIG ENOUGH TO HAVE IT ALL TO YOURSELF AND HAVE YOUR OWN ACCOUNT SO YOU'RE IN A POOL WITH EVERYBODY MY WORRY PUTTING THE MONEY INTO A POOL WOULD BE LIKE SINKING IT INTO A LOTTERY, SOMEBODY ELSE MIGHT BE INCREASING OUR LIABILITY. I HAD A LONG TALK OVER THE LAST YEAR, I HAVE HAD MANY CONVERSATIONS WITH THE PERS ACTUARIES WHO ARE A VERY NICE GROUP OF PEOPLE. WHATEVER YOU THINK OF PERS, THEY HAVE A LOT OF PEOPLE TRYING TO HELP US. THEY CONVINCED ME AND SHOWED ME, MODELING WISE, HOW EXACTLY I

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CAN ACCOUNT FOR EVERY COMPONENT OF A CONTRIBUTION TO PERS. SO NOW I'M GOING TO COME BACK AND RECOMMEND, I BELIEVE THAT WE CAN REFINANCE YOUR PENSION OBLIGATION, JUST RUNNING BASIC NUMBERS, YOU'RE GOING TO HAVE $1.8 MILLION. IT WILL BE A TOTAL OF ABOUT 23 MILLION BEFORE IT'S DONE. THAT'S INTEREST OF ABOUT $6 MILLION. IF I RUN THE SAME CALCULATIONS AT HALF THE INTEREST RATE WHICH IS ABOUT CURRENT MARKET TODAY FOR A TAXABLE FUNDING OF THAT LENGTH, YOU WIND UP SAVING ABOUT TWO AND A HALF MILLION DOLLARS, CUT YOUR PAYMENTS DOWN A COUPLE HUNDRED THOUSAND. IF I LENGTHEN IT A COUPLE OF YEARS INSTEAD OF DOING IN 13 YEARS, DOING IT IN 15 TO CUT THE PAYMENTS DOWN YOU CAN ACTUALLY -- I KNOW I'M RUNNING DOWN A BUNCH OF NUMBERS FAST -- BECAUSE OF THE MARKET IF WE LENGTHEN A COUPLE OF YEARS YOU WILL WIND UP PAYING TWO MORE YEARS BUT PAYING LESS BECAUSE THE INTEREST RATE IS LOWER. INSTEAD OF REFINANCING YOUR HOUSE EIGHT LOWER RATE BUT KEEPING IT AT 30 YEARS IN THE END YOU'RE PAYING ABOUT 2 MILLION LESS IN INTEREST PAYMENTS GO DOWN ABOUT $400,000, SO INSTEAD OF BEING $1.8 MILLION IT WILL GO TO 1.4 SO THE FIRST HALF OF OUR DEFICIT WILL BE GONE. A COUPLE OF OTHER SUGGESTIONS I HAVE ARE GOING TO TAKE -- ARE GOING TO TAKE SOME COOPERATION FROM THE BOARD AT MTC, WHICH I AM WILLING TO GO AND TALK TO THEM ABOUT, ALTHOUGH I'M STARING AT A WHOLE BUNCH OF THEM RIGHT NOW SO IT CAN'T BE A SURPRISE. ONE OF THEM IS WE PUT IT, WHEN WE CREATED THE CONSOLIDATION AND WE CREATED ONE BIG ADMINISTRATIVE WORLD, ONE OF THE THINGS WE

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COULD NOT ACCOUNT FOR IS THAT THERE WAS NO ADMINISTRATIVE OVERHEAD GOING TO SUPPORT THE STAFF THAT WAS TRANSFERRING OVER FROM ABAG. OUR CALCULATIONS WERE THE NUMBER WAS BETWEEN 1.5 AND $1.7 MILLION, SHORT FALL, MTC AT THIS POINT IN TIME, PROBABLY TODAY WAS IN NO POSITION TO EAT 1.7 MILLION IN EXPENSES HENCE THE BOARD AGREED TO TAKE ON A $570,000 ASSESSMENT ROUGHLY ACCOUNTING FOR 30 TO 40% OF OUR SHORT FALL. THIS HAS BEEN A VERY -- IT'S A NICE CONTRIBUTION. YOU HAVE HAD IT EVERY YEAR. A LITTLE BIT CONTROVERSIAL LAST YEAR BECAUSE IT EXTEND TO EVERYBODY AND NOT JUST COUNTIES. ANYWAY, ONE OF THE THINGS I SUGGEST IS THAT, WE, NOW, GET ABOUT 1.4 -- CALL IT $1.5 MILLION IN OVERHEAD, SO I DON'T THINK THE ADDITIONAL ADMIN CHARGE IS NECESSARY. NOW WE HAVE GOTTEN TO THE POINT WHERE IF OUR CALCULATIONS, WHEN WE STARTED THIS WORK WERE CORRECT, WE'RE PRETTY MUCH MADE WHOLE. I DON'T THINK WE NEED THE 570 ANYMORE, I WOULD RECOMMEND TO OUR BOARD AND GENTLEMEN OF THE JURY SAYING WE NET OUT MINIMUMS NET OUT WHAT WE TRANSFER WE GET ABOUT 570 YOU DON'T MAKE ANY FURTHER TRANSFERS AND WE'RE WHOLE. I'M PREPARED TO MAKE THAT TO THE BOARD AND THAT WOULD BE TO WHERE WE WOULD GET PAST THE SURPLUS. FROM THOSE TWO ALONE WE WOULD GET VERY CLOSE TO GENERATING A SURPLUS. THIRD COMPONENT IS THE OWNERSHIP OF 375 BEALE. I KNOW MANY PEOPLE OWNING REAL ESTATE AND OWNING DIRT IS A VERY IMPORTANT THING, AND I WILL SAY, THOUGH, THE STAFF ARE ALL SITTING IN DESKS AND MTC IS PAYING FOR THE SPACE, AND MTC HAS

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GOT THEM ALL PICKED UP. SO YOU'RE KIND OF DOUBLE PAYING HERE. SO WHAT I SUGGEST IS, YOU SELL THE BUILDING, YOUR SHARE OF THE BUILDING, TO MTC -- WELL, NOT ACTUALLY MTC, IT WOULD ACTUALLY BE OUR BAHA LINK, BUT YOU SELL THE BUILDING BACK TO US, AND YOU GET THE SAME AS ALL OF THESE, YOU WILL GET THE SAME RIGHTS AND EVERYTHING ELSE, YOU JUST WON'T BE ASSESSED ANYTHING. THE PAYMENT FOR IT WILL BE ROUGHLY 8.4, $9 MILLION A TWO YEAR OPERATING RESERVE GOING IN. YOU WILL STILL GET AN ASSESSMENT FOR THE COMMON AREA SO I PREDICT IT WILL GO DOWN BY $135,000 A YEAR BUT YOU'RE BEGINNING TO CLOSE IN ON THAT MAGIC MILLION DOLLARS FIGURE. SO, THOSE ARE THE MAIN EXPENSE ITEMS, ESPECIALLY NOW THAT OPEB IS COMPLETELY SELF FUNDED. THESE ARE THE BIGGEST ONES WE CAN ATTACK. MTC STAYS WHOLE, YOU GET THAT, ABAG BEGINS TO BUILD A RESERVE. WE'RE NOT DOUBLE PAYING FOR THE PEOPLE IN SPACES BECAUSE THEY'RE ALREADY COVERED UNDER MTC'S ASSESSMENTS AND THEY'RE COVERED UNDER YOURS. THE LAST THING, AND PROBABLY THE MOST IMPORTANT ONE IS THE DISCREPANCY BETWEEN CONSEQUENCES AND THE DUES. IT'S KIND OF LIKE SOMEBODY GETTING A MORTGAGE WITH ONLY 70% OF THE INCOME NECESSARY ON A MONTHLY BASIS. I WOULD PROPOSE THAT AS PART OF THE BUDGET NEXT YEAR, AND THROUGH YOUR GENERAL ASSEMBLY, AND MAYBE SOONER, THAT THE ASSESSMENT OF THE DUES BE MODIFIED TO CAPTURE ALL OF THE ESSENTIAL EXPENSES, WHICH WOULD BE PENSIONS, LEGAL FEES. RIGHT NOW YOU'RE IN A PLACE WHERE, FOR EXAMPLE, THE ONE THING THAT DIDN'T GO OVER IN THE BUDGET THIS YEAR, WERE MEETINGS.

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THOSE MEETINGS WERE THINGS THAT YOU HAD TO HAVE. SO, BUT WE HAD NO -- THERE IS NO FLEXIBILITY IN THE BUDGET. THERE IS NO ROOM, NO CONTINGENCY, SO YOU LITERALLY WIND UP, THAT LINE IS GOING TO GO OVER. SO WHAT I WOULD SUGGEST IS THAT WE BE CERTAIN, GOING INTO THE BUDGET, AND IT CAN BE DONE, SAY, TAKE THE MID-YEAR EXPENSE -- OR THE YEAR END EXPENSES, PUT THOSE -- MAKE SURE THE FORMULA IS SET, AND THEN JUST DISTRIBUTE THEM PER CAPITA. SO WE TAKE THE EXPENSES, WE DIVIDE THEM BY THE POPULATION, WE GIVE THEM OUT TO EVERYBODY PER CAPITA. MY GOOD FRIEND RAYMOND WOO WHO IS MUCH SMARTER THAN ME HAS RUN A SERIES OF NUMBERS. WE HAVE PUT TOGETHER A COUPLE OF MODELS. OBVIOUSLY IF WE'RE PICKING UP CLOSE TO A MILLION DOLLARS, AND BE IN THE END IT WON'T BE THAT NUMBER. BUT JUST USING THIS YEAR' BUDGET, THERE WILL BE WINNERS AND LOSERS. A STRAIGHT POPULATION COUNTIES WOULD TAKE A HIT SMALLER CITIES WOULD HAVE SAVINGS, THERE WOULD BE WINNERS AND LOSERS BUT IT'S NOT JUST EVERYBODY GOING UP IN FUNDS. BUT AS YOU GO INTO THE FUTURE, IT'S -- I DON'T KNOW -- I HAVEN'T GOT THE WORDS FOR WHAT THAT SLIDING SCALE IS. SO THERE IS -- AND CURRENTLY WE USE A SLIDING SCALE THAT ACTUALLY DESCENDS THE RATE GOES DOWN AS THE POPULATION GOES UP. I REALLY DON'T UNDERSTAND IT, BUT A MORE EQUITABLE WAY TO GO WOULD BE TO GET YOUR EXPENSES, A ONE TIME SHOT, AGAIN, ABOUT 20, 25, AGAIN WE WOULD ASSUME SOME OTHER ADJUSTMENTS, YOU JUST HAVE PREPARE FOR THE WORST IT WOULDN'T BE A SHOCK, WOULD BE COMPLETELY BALANCED I RECOMMEND 10%

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BUDGET CONTINGENCY. I THINK THAT GOING IN AND PUTTING TOGETHER A SCHEDULE OF FEES THAT ARE SIGNIFICANTLY SHORT OF WHAT YOU NEED TO SPEND, CONSIDERING VIRTUALLY NO RESERVES, THAT JUST CAN'T CONTINUE. ASIDE FROM THAT, YOU HAVE ALL GOT THE DETAIL IN THE SCHEDULES, THERE ARE NO BIG SHOCKS, SALARIES AND BENEFITS ALL CAME OUT OKAY. MOST OF THE EXPENSES, REALLY, REALLY CAME IN, REALLY, ON THE BEAM. I MEAN, FROM AN OPERATIONAL STANDPOINT, THE BUDGETS, REVENUES AND EXPENSES ARE ALL WELL MANAGED AND ALL CAME WITHIN THE APPROVED BUDGETS. IT GETS A LITTLE WEIRD ON THE BAYREN SIDE WHEN THEY HAVE A ZILLION DOLLARS WORTH OF GRANTS AND WE HAVE THE BUDGET BUT NOT THE EXPENSES OUT YET. IF YOU LOOK AT THE DETAIL, YOU WILL SEE THEIR ACTUAL DRAWS ON THE GRANTS ARE MATCHED ALMOST EXACTLY BY THE AMOUNT OF EXPENSES WHICH IS WHAT YOU WANT TO SEE WHEN YOU'RE RUNNING THIS KIND OF A GRANT PROGRAM. THAT'S A LONG WAY OF SAYING THE YEAR-END NUMBERS ARE OKAY. CAME IN EXACTLY OR WITHIN DOLLARS OF WHERE WE THOUGHT IT WOULD IN. BUT I THINK WE HAVE TO GIVE VERY, VERY SERIOUS THOUGHT TO SOME STRUCTURAL CHANGES. BECAUSE YOU'RE NOT GOING TO BE ABLE TO SURVIVE THIS A COUPLE MORE YEARS AND YOU'RE GOING TO BE HERE A LONG TIME. AND WITH THAT, MS. CHAIRMAN, I WILL SHUT UP AND WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

KAREN MITCHOFF, CHAIR: MR. SPERING HAS HIS HAND UP. GO AHEAD JIM.

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JAMES P. SPERING: BRIAN, I APPRECIATE YOU RAISING THIS. I HAVE TALKED ABOUT THIS OVER TIME I AGREE WITH YOU ABAG TIED TO EXPENSES, HAS TAKEN ON A MUCH BIGGER ROLE AND PROVIDING EXTRAORDINARY SERVICE TO ALL OF THE CITIES AND THERE IS A COST TO THAT. WHEN IT COMES TO DUES THERE OUGHT TO BE A FORMULA WHERE WE RAISING THE DUES ON A REGULAR BASIS ONE OR TWO% A YEAR TIED TO CPI. I DON'T CARE WHAT IT'S TIED TO BUT THERE HAS TO BE SOMETHING THAT KEEPS PACE WITH THE SERVICES THAT WE'RE PROVIDING. UNLESS MTC REALLY CHANGES THEY'RE NOT GOING TO BE HAVING MUCH OF AN APPETITE TO BE COVERING THIS DEBT FOR A LONG TIME UNLESS MEMBERS RECEIVING THESE SERVICES ARE RECEIVING RELATIVELY THEIR FAIR SHARE. THEY'RE NOT PAYING FULL COST, AND I DON'T THINK THEY SHOULD. BUT THERE HAS TO BE A FORMULA FOR SOMETHING TIED TO THOSE DUES SO EVERYBODY UNDERSTANDS IT EXPECTS IT AND CAN BUDGET FOR IT AND IT OFFSETS SOME OF THESE COSTS. BUT TO USE THIS FOR -- IT'S THE PROBLEM WE'RE RUNNING INTO RIGHT NOW WE WANT TO COVER EXPENSES AND DON'T KNOW WHAT THAT NUMBER IS GOING TO BE AND COUNTIES AND CITIES ARE GOING TO PUSH BACK BUT IF WE ADOPT A FORMULA SO WE CAN KEEP PACE WITH IT, I THINK EVERYBODY UNDERSTANDS THAT. AND WE SELL THE SERVICES THAT ABAG PROVIDES TO THIS REGION, WE SELL IT WAY SHORT. I MEAN, THEY'RE DOING SOME VERY IMPORTANT WORK. AND THERE IS COST TO THAT. AND THE CITIES AND COUNTIES HAVE TO UNDERSTAND THAT. AND IF ABAG ISN'T DOING IT, SOMEBODY ELSE

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WILL BE, AND IT WILL BE COSTING THOSE CITIES AND COUNTIES. SO, MADAM CHAIR, I SURE HOPE THIS IS SOMETHING WE CAN BRING BACK AND HAVE A SERIOUS DISCUSSION ABOUT THIS, THIS PART OF IT THOSE ARE MY COMMENTS. THANK YOU, MADAM CHAIR.

BRIAN MAYHEW: I CAN SAY SOMETHING REALLY QUICKLY.

KAREN MITCHOFF, CHAIR: SURE. GO AHEAD BRIAN.

BRIAN MAYHEW: AND I PROBABLY MISSPOKE. THE DUES ARE INCREASED BY FORMULA POPULATION AND CPI. PROBLEM IS, THEY HAVE NOT KEPT UP. THEY'RE A MILLION DOLLAR SHORT OF THE EXPENSES THAT HAVE BEEN APPROVED AND WHAT I'M SAYING S YOU HAVE TO START WITH WHAT THOSE APPROVED EXPENSES ARE. NOW, YOU KNOW, THERE COULD BE OTHER THINGS IN THERE. BUT, NO TWO% CPI, NO INCREASE IS GOING TO CATCH UP BECAUSE THE EXPENSES, ESPECIALLY PENSIONS ARE GOING TO GO UP TOO FAST. THAT'S ALL I'M SUGGESTING IS AT LEAST WE START WITH WHAT ARE THE CORE EXPENSES THAT HAVE BEEN APPROVED, AND AGAIN, I WOULD RECOMMEND CONTINGENCIES BE PUT N I RECOMMEND THAT YOU HAVE DIFFERENT FUNCTIONS, BUT I DON'T WANT YOU TO THINK THAT THERE ISN'T A FORMULA THERE ALREADY.

JAMES P. SPERING: OKAY. WELL, WE NEED TO -- I THINK REVISIT T AND MAKE SURE IT'S EQUITABLE. THANK YOU, MADAM CHAIR.

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KAREN MITCHOFF, CHAIR: AND I SOLELY CONCUR WITH YOU. NOT SOLELY. I TOTALLY CONCUR WITH YOU. THANK YOU. MAYOR ARREGUIN?

JESSE ARREGUIN: I ALSO CONCUR. AND I DO AGREE THAT WE DO NEED TO HAVE A CONVERSATION AROUND THE DUES STRUCTURE TO MAKE SURE IT IS FULLY ACCOUNTING FOR EXPENDITURES. SO I SUPPORT ALL OF THESE SUGGESTED ACTIONS IN ORDER TO ADDRESS THE STRUCTURAL DEFICIT. AND I WANT TO THANK BRIAN FOR, YOU KNOW, AFTER THE BUDGET DISCUSSION WE HAD SEVERAL MONTHS AGO, YOU KNOW, REALLY TRYING TO FIND SOLUTIONS THAT CAN HELP US CLOSE THIS ONGOING DEFICIT. AND IF WE DON'T CLOSE IT WE'RE GOING TO BE DEALING WITH A MUCH BIGGER DEFICIT IN THE FUTURE AND IT'S GOING TO IMPACT OUR ABILITY TO PROVIDE THE SERVICE FOR LOCAL GOVERNMENT. I'M CURIOUS AS TO WHEN WE CAN CALENDAR ANOTHER DISCUSSION ABOUT THIS, THAT WE CAN BRING THIS TO THE EXECUTIVE BOARD AT SOME POINT. SOME OF THIS INVOLVES MTC, SOME OF THIS INVOLVES ABAG TAKING CERTAIN ACTIONS. BRIAN, DO YOU HAVE A SUGGESTED TIMELINE ABOUT NEXT STEPS?

BRIAN MAYHEW: OH, YOU KNOW, MY BOSS ASKED ME ABOUT THAT, AND I AM EMBARRASSED TO SAY, I WAS, SORT OF, NERVOUS TO PUT THIS IN FRONT OF YOU. CONCEPTUALLY THE WAY I SEE IT IS, IF YOU ARE GOOD TONIGHT AND THE EXECUTIVE BOARD WILL GET THE REPORT AND IF THAT GOES THROUGH WITHOUT SOMEBODY FIRING ME, THE PLAN

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WOULD BE I WOULD TAKE THAT TO THE ADMIN COMMITTEE IN OCTOBER AND I'LL PUT IT IN FRONT OF THE ADMIN COMMITTEE --

THERESE MCMILLAN: BRIAN, THAT WOULD BE MTC'S ADMIN COMMITTEE.

BRIAN MAYHEW: I'M SORRY. ALL PART OF THE SAME LEDGER FOR ME. I TAKE IT IN FRONT OF THE ADMIN COMMITTEE, THERE ARE A COUPLE OF THINGS THAT WOULD BE IMPORTANT. ONE IS WE PURSUE THE PENSION REFUNDING. I'M GOING TO PROPOSE MTC UNDERWRITE. WE HAVE UNDERWRITTEN THESE TYPES OF THINGS BEFORE PICK UP A 100 BASIS POINTS ON A VARIABLE RATE DEAL; YOU SAY 300 BASIS POINTS ON WHAT YOU WOULD HAVE PAID PERS, AND IT'S A WIN-WIN. IT HAS TO BE A REAL TRANSACTION IF MTC NEEDS TO LIQUIDATE THE BONDS WE HAVE TO BE ABLE TO SELL.

KAREN MITCHOFF, CHAIR: JESSIE WAS TALKING ABOUT THE DUES ISSUE, MORE THAN YOU HAVE TO GO TO MTC. AM I SPEAKING CORRECT JESSE?

JESSE ARREGUIN: I THINK THERE IS FOLLOW UP ON ALL OF THE DIFFERENT DISCUSSIONS FOR DUES. WE SHOULD SCHEDULE ANOTHER DISCUSSION WITH THE FINANCE COMMITTEE.

BRIAN MAYHEW: IT'S YOUR FINANCE COMMITTEE MEETING WE WOULD BRING UP A MODEL AND WHAT THE DUES ARE IF WE DID IT ON THIS

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YEAR'S BUDGET YOU WOULD SEE THE DETAIL AS AND I THINK WE WOULD THEN WANT TO BUILD THE NEW STRUCTURE INTO THE NEW BUDGET STARTING IN FOUR MONTHS. THAT WOULD CHANGE THE FORMULA, AND I WOULD LET THE LAWYERS DO ALL WE HAVE TO DO, BUT I THINK THAT'S GOING TO TAKE A CHANGE FROM THE GENERAL ASSEMBLY. I THINK THAT'S BUILT IN. BUT WE WILL GIVE YOU A MODEL, AND WE'LL SHOW YOU, WE'LL ALSO GIVE YOU A MODEL BASED ON WHAT WE POTENTIALLY SEE AS THE BUDGET NEXT YEAR. BUT I SAY, YOU HAVE GOT TO PLAN FOR THE WORST AND HOPE FOR THE BEST IN BUDGETING, AND I WANT TO GIVE YOU A FULLY BURDENED LOOK.

JESSE ARREGUIN: SUPERVISOR SPERING'S POINT, EXPENSES ARE GOING TO KEEP INCREASING, SALARIES INCREASE, BENEFITS INCREASE, AND THE MORE WE SPEND IN OUR PORTFOLIO THE MORE COST WE'RE GOING TO INCUR. I DO THINK THAT ENSURING THAT WE ARE ESTABLISHING A DUES STRUCTURE THAT ACCOUNTS FOR THE EXPENSES THAT WE'RE ANTICIPATE WE'RE GOING TO INCUR OVER THE YEARS IS A VERY SOUND FISCAL PRACTICE. BUT WE MAY NEED TO THINK ABOUT, YOU KNOW, ESTABLISHING SOME, SORT OF FORMULA OR METHODOLOGY SO AS THOSE EXPENSES INCREASE THE DUES DO ALSO. THANK YOU.

KAREN MITCHOFF, CHAIR: JIM?

JAMES P. SPERING: BRIAN, I DON'T KNOW THAT I WAS FOR ABAG SELLING THEIR WHOLE INTEREST IN THE BUILDING. COULD THEY

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RETAIN A TOKEN AMOUNT, OR A SMALL AMOUNT? BECAUSE I THINK THEY NEED TO HAVE A FINANCIAL INTEREST IN THE FACILITY ITSELF. SO I CERTAINLY WOULD LIKE YOU TO LOOK AT OTHER OPTIONS OTHER THAN JUST SELLING THE WHOLE THING. THAT'S JUST A SUGGESTION. YOU DON'T HAVE TO RESPOND. JUST GIVE IT SOME THOUGHT.

BRIAN MAYHEW: YEAH.

KAREN MITCHOFF, CHAIR: OKAY. SO, WITH THAT -- AND I'M SORRY -- MY COMPUTER HERE WENT DOWN -- NOT DOWN, BUT -- THIS IS A REPORT --

JESSE ARREGUIN: AND I'LL MOVE THAT WE ACCEPT THE REPORT.

KAREN MITCHOFF, CHAIR: UH.

JESSE ARREGUIN: ARREGUIN.

KAREN MITCHOFF, CHAIR: THANK YOU, JESSE. AND WHO WOULD LIKE TO SECOND?

JAMES P. SPERING: SPERING.

KAREN MITCHOFF, CHAIR: THANK YOU, SPERING. DO WE HAVE PUBLIC COMMENT ON THIS, FRED?

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CLERK OF THE BOARD: THERE ARE NO MEMBERS OF THE PUBLIC WITH THEIR HAND RAISED, AND THERE WAS NO PUBLIC COMMENT SUBMITTED ON THIS ITEM.

KAREN MITCHOFF, CHAIR: ALL RIGHT. MAY WE HAVE ROLL CALL, PLEASE.

CLERK OF THE BOARD: YES. ON THE MOTION. [ROLL CALL VOTE] PASSES UNANIMOUSLY BY ALL MEMBERS PRESENT

KAREN MITCHOFF, CHAIR: THANK YOU. I'M GOING HERE BACK AND FORTH ON SOMETHING. I'M LOOKING AT THE LOVELY CHAIR'S REPORT THAT'S BEEN DRAFTED FOR ME. SO, AT THE TIME THAT I'M MAKING THIS REPORT ON THE FINANCIALS, I CAN GIVE THESE SPECIFICS. I ACTUALLY THINK I WILL JUST TURN IT OVER TO BRIAN. DO WE WANT TO REPORT-OUT THAT WE'RE GOING TO HAVE THIS FURTHER DISCUSSION? OR LEAVE IT WITH BRIAN TALKING AND/OR THERESE, THAT THIS WILL BE GOING TO MTC AND THEN IT'S COMING BACK TO ABAG FOR FURTHER DISCUSSION? THERESE? HOW WOULD YOU LIKE TO HANDLE THAT? AND/OR JESSE?

THERESE MCMILLAN: YOU KNOW, CHAIR MITCHOFF, I THINK THAT'S A SIMPLE ENOUGH STATEMENT IN TERMS OF NEXT STEPS.

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KAREN MITCHOFF, CHAIR: YEAH.

THERESE MCMILLAN: SO I WOULD BE COMPLETELY FINE WITH YOU LAYING THAT OUT.

KAREN MITCHOFF, CHAIR: THANK YOU VERY MUCH. WE DON'T NEED ANYMORE DISCUSSION THAN WE'RE ALREADY GOING TO HAVE.

JESSE ARREGUIN: L AND SUPERVISOR MITCHOFF, I WOULD ALSO EMPHASIZE THAT THE DISCUSSION AROUND DUES IS GOING HAPPEN IN NOVEMBER AND AT THAT POINT SOMETHING IS GOING TO COME BEFORE THE EXECUTIVE BOARD FOR DISCUSSION AND ACTION. THAT WE'RE, SORT OF, STARTING THE DISCUSSION.

KAREN MITCHOFF, CHAIR: THE FINANCE COMMITTEE HAS REQUESTED THAT STAFF BRING BACK SOME PROPOSALS FOR US TO CONSIDER.

JESSE ARREGUIN: YES.

KAREN MITCHOFF, CHAIR: OKAY. THAT WOULD BE GREAT. MOVING TO ITEM 7A. WHICH ARE INVESTMENTS. MR. MAYHEW GO AHEAD WITH THAT, PLEASE.

BRIAN MAYHEW: WELL, THIS IS ACTUALLY ALL GOOD NEWS. WE END THE YEAR WITH ROUGHLY 100 MILLION BUCKS IN THE BANK. ABAG ADMIN

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SIDE 8 MILLION AT THE END OF THE YEAR MOST ON ADVANCES ON A GRANT. ESTUARY PARTNERSHIP IS THE ONLY WORRISOME THING WE HAVE. THEY CUT IT VERY CLOSE. THEY ARE. [LAUGHTER] MY ONE PROBLEM CHILD IS THEY JUST TEND TO RUN BANK ACCOUNTS VERY LOW. AND THAT'S THE TIMING ON THE GRANTS. THAT'S SOMETHING WE'RE GOING TO HAVE TO WORK ON. OTHER THAN THAT YOU'RE IN PRETTY GOOD SHAPE IF YOU TAKE OUT THE BAY RESTORATION AUTHORITY, WHICH I HAD MANAGED, BUT YOU'RE RESPONSIBLE FOR MANAGING ME SO YOU HAVE TO SAY IT. YOU HAVE GOT $30 MILLION LEFT, ADMIN HAS EIGHT, BAYREN 9.3 OF IT. CFT DETAILED ON THE BACK, ANOTHER $10 MILLION, THERE ARE NO NEGATIVE BALANCES. AS I SAID, SFEP IS REALLY, REALLY CLOSE. THE BAYREN -- BAYREN IS A WONDERFUL FUND, BECAUSE IT'S ALL IN ADVANCE, AND JENNY SHOULD, LIKE, GET A MEDAL, BECAUSE THAT'S HOW YOU RUN THE GRANT PROGRAM. I'LL PROBABLY GIVE HER ONE. IS THEN OF COURSE THE ASSESSMENT DISTRICTS HAVE ALL YOU CAN SEE ON THE RESERVES AND TAXES WHAT THEY DO. ALL IN ALL A GOOD YEAR. FINANCIALLY. PLENTY OF LIQUIDITY.

KAREN MITCHOFF, CHAIR: ALL RIGHT. ANY QUESTIONS FOR BRIAN ON THE INVESTMENTS REPORT? THE EXCELLENT INVESTMENTS REPORT? SEEING NONE. FRED, THERE ARE ANY PUBLIC COMMENTS?

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KAREN MITCHOFF, CHAIR: OKAY. I'M GOING TO ASSUME SUPERVISOR RAMOS WANTS TO MOVE THIS ITEM. PARDON ME? YES. AND ARREGUIN IS GOING TO SECOND IT

JESSE ARREGUIN: YES.

KAREN MITCHOFF, CHAIR: ROLL CALL, PLEASE.

CLERK OF THE BOARD: [ROLL CALL VOTE] PASSES UNANIMOUSLY BY ALL MEMBERS PRESENT.

KAREN MITCHOFF, CHAIR: WITH THAT WE ARE ADJOURNED TO OUR NEXT MEETING IS NOVEMBER 18TH, 2021. THANK YOU EVERYONE.
[ADJOURNED]

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