METROPOLITAN TRANSPORTATION COMMISSION

Meeting Transcript

METROPOLITAN TRANSPORTATION COMMISSION

ADMINISTRATION COMMITTEE

WEDNESDAY, OCTOBER 13, 2021, 9:45 A.M.

FEDERAL D. GLOVER: GOOD MORNING. I AM CHAIR OF THE ADMINISTRATIVE COMMITTEE. IF WE COULD CALL TO ORDER AND HAVE THE BROADCAST DO THE ANNOUNCEMENT? DUE TO COVID-19 THIS MEETING WILL BE CONDUCTED AS A ZOOM WEBINAR PURSUANT TO THE PROVISIONS ASSEMBLY BILL 361. 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 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

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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. IN ORDER TO GET THE FULL ZOOM EXPERIENCE. PLEASE MAKE SURE YOUR APPLICATION IS UP-TO-DATE.

KIMBERLY WARD, CLERK: YOU ARE MUTED, MR. CHAIR.

FEDERAL D. GLOVER: OKAY. THANK YOU. ROLL CALL?

KIMBERLY WARD, CLERK: ABE-KOGA?

MARGARET ABE-KOGA: HERE.

KIMBERLY WARD, CLERK: CHAVEZ?

CINDY CHAVEZ: HERE.

KIMBERLY WARD, CLERK: THANK YOU. EL-TAWANSY IS ABSENT. GLOVER?

FEDERAL D. GLOVER: HERE.

KIMBERLY WARD, CLERK: MILEY?

NATHAN MILEY: HERE.

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KIMBERLY WARD, CLERK: PAPAN?

GINA PAPAN: HERE.

KIMBERLY WARD, CLERK: RONEN?

DIR. HILLARY RONEN: HERE.

KIMBERLY WARD, CLERK: RABBIT?

DAVID RABBIT: HERE.

KIMBERLY WARD, CLERK: WORTH?

AMY R. WORTH, VICE CHAIR: HERE.

KIMBERLY WARD, CLERK: THANK YOU. WE'LL DO THE CONSENT CALENDAR. HAVE WE HAD ANYONE CALL IN? OR ANY CONCERNS ABOUT THE CONSENT CALENDAR?

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

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FEDERAL D. GLOVER: OKAY. IS THERE ANY MEMBER OF THE COMMITTEE WISHING TO PULL AN ITEM? SEEING NONE. IF YOU COULD HAVE A MOTION FOR APPROVAL?

CINDY CHAVEZ: MOTION, CHAVEZ.

DAVID RABBIT: SECOND.

FEDERAL D. GLOVER: MOTION BY CHAVEZ, SECOND BY RABBIT? ROLL CALL VOTE, PLEASE.

KIMBERLY WARD, CLERK: [ROLL CALL VOTE] PASSES UNANIMOUSLY BY ALL MEMBERS PRESENT.

FEDERAL D. GLOVER: OKAY. NEXT ITEM IS 3A. THIS IS MTC RESOLUTION NUMBER 4457 REVISED FOR FISCAL YEAR 2021, 2022, AND THIS IS THE OVERALL WORK PROGRAM, AND I'M GOING TO ASK THAT BRIAN MAYHEW WOULD PRESENT THIS ITEM.

BRIAN MAYHEW: THANK YOU, SIR. MORNING OR AFTERNOON? PROGRAM WORK PROGRAM BUDGET FEDERAL STATE FUNDING SOURCES REQUIRED TO MAKE CERTAIN CHANGES TO RESPONSE TO A CALTRANS AND FEDERAL SPONSORS TELLING US WHAT TO DO. MAIN CHANGE IS PICKING UP A FIVE THOUSAND HUNDRED THOUSAND DOLLARS GRANT INCORPORATING THAT INTO THE OWP IN ADDITION SHIFT OF SOME FUNDS, WORDING

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CHANGES, NONE IMPACTED THE LEVEL, REAL CHANGE HERE IS INCREASE OF $500,000. AND IF YOU APPROVE GOES BACK TO ALL OF CALTRANS AGENCIES AND FEDERAL AGENCIES AND GETS APPROVED AGAIN THEN ACTUALLY PUT INTO THE BUDGET.

FEDERAL D. GLOVER: ANY COMMENTS FROM COMMISSIONERS? OR QUESTIONS? ANY PUBLIC COMMENT?

KIMBERLY WARD, CLERK: YES, WE HAVE RECEIVED ONE ITEM FROM MEMBERS OF THE PUBLIC, ROLAND LEBRUN, THAT HAS BEEN PROFITED TO THE ONLINE AGENDA AND DISTRIBUTED TO EACH OF THE COMMISSIONERS AND STAFF HAS BEEN IN TOUCH WITH MR. LEBRUN. AND I SEE MR. LEBRUN IS HERE WITH HIS HAND RAISED, IF YOU WOULD LIKE, I CAN CALL UPON HIM AND GIVE HEM TWO MINUTES TO SPEAK.

FEDERAL D. GLOVER: YES.

KIMBERLY WARD, CLERK: MR. LEBRUN, IF YOU WOULD LIKE TO UNMUTE YOURSELF, YOU HAVE TWO MINUTES. ARE YOU THERE, MR. LEBRUN?

AMY WORTH, V. CHAIR: ROLAND, YOU CAN UNMUTE YOURSELF.

SPEAKER: CAN YOU HEAR ME NOW?

KIMBERLY WARD, CLERK: YES.

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FEDERAL D. GLOVER: YES.

SPEAKER: WE CAN HEAR YOU.

SPEAKER: I HAVE HAD QUITE A FEW UNMUTES. I WANT TO THANK MTC FOR THE ABSOLUTELY WONDERFUL STAFF RESPONSE, I REQUEST, AND FRANKLY, I WISH EVERY AGENCY IN THE BAY AREA COULD BE AS RESPONSIVE. THE ONLY CONCERN I HAVE AT THIS TIME IS THAT, MOVING FORWARD, MTC STAFF WOULD BE RELYING ON INPUT FROM BART ENCORE CONSULTANTS ON THE BART 2030, AND I WILL ELABORATE ON THIS CONCERN AT A LATER DATE IN WRITING. THANK YOU.

FEDERAL D. GLOVER: OKAY. THANK YOU, ROLAND, FOR YOUR COMMENTS. I WILL BRING IT BACK TO THE COMMISSION. SO, DO I HAVE A -- ANY CORRECTIONS OR A MOTION?

CINDY CHAVEZ: CHAVEZ MOVES APPROVAL.

FEDERAL D. GLOVER: OKAY. DO WE HAVE A SECOND?

SPEAKER: SECOND.

FEDERAL D. GLOVER: WAS THAT RABBIT? OKAY. MOTION BY CHAVEZ, SECOND BY RABBIT. CAN WE DO A ROLL CALL, PLEASE?

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KIMBERLY WARD, CLERK: [ROLL CALL VOTE] PASSES UNANIMOUSLY BY ALL MEMBERS PRESENT.

FEDERAL D. GLOVER: THANK YOU. WE'LL MOVE RIGHT ALONG TO ITEM 4A AND THIS IS MTC ADMINISTRATIVE SUPPORT FOR ABAG. AND ONCE AGAIN, WE'LL CALL ON MR. MAYHEW TO PRESENT THIS ITEM.

BRIAN MAYHEW: AND ONCE AGAIN, I'LL THANK YOU. A LITTLE BIT OF BACKGROUND. I'LL GO THROUGH THIS RELATIVELY QUICKLY. BUT A LITTLE BIT OF BACKGROUND HERE. WHEN WE STARTED CONSOLIDATION WITH ABAG STARTED TO ADMINISTRATIVELY CONSOLIDATE WE KNEW ABAG HAD FINANCIAL ISSUES. IN PUTTING THE TWO AGENCIES TOGETHER, THERE WERE TWO BIG CONCERNS GOING IN, ONE WAS HOW MTC WAS GOING TO HANDLE THE ADDED COST OF STAFFING AND HOW MTC WAS GOING TO HANDLE THE LOSS OF FEDERAL FUNDING. AND WE GOT THROUGH IT PART OF THE TRANSITION WAS THE REQUEST MADE MAINLY TO THE COUNTIES THAT THE COUNTIES INCREASE AND PUT A SURCHARGE ON A $530,000, ROUGHLY OFFSETTING 30 TO 35% OF THE COST OF THE NON-OVERHEAD SUPPORT, WE GOT REVENUE SOURCES FOR MOST OF THE ABAG PROBABLY TWO THIRDS BUT SOME WERE NOT SUPPORT DISCIPLINED WE WERE WORRIED ABOUT COST HITTING MTC. WE DIDN'T HAVE FUNDING SOURCE FOR THEM. AGREEMENT WAS REACHED FOR A ONE YEAR SURCHARGE OF $530,000 WHICH BECAME A TWO YEAR SURCHARGE OF $530,000. NOW AS TIME HAS GONE ALONG AND WE ARE WELL PAST OUR

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THIRD YEAR OF RUNNING CONSOLIDATED BOOKS, WE -- THERE WAS NO GRANT OVERHEAD WHEN WE ORIGINALLY GOT INTO THIS TRANSACTION. THE GRANTS DIDN'T ACCESS OVERHEAD JUST THE ENTERPRISES DID THEREFORE THERE WAS NO REVENUE STREAM TO TRANSFER. SINCE THEN THAT HAS BEEN CHANGED AND I THINK ALL BUT TWO ACTIVE GRANTS NOW HAVE FULL OVERHEAD CHARGES ON THEM. AND THOSE TWO GRANTS WILL EXPIRE, I THINK, THIS YEAR, AND THE NEW ONES WILL BE FULLY BURDENED, SAME AS ANY OTHER THING WE DO, WHICH MEANS THAT THOSE TRANSFERS ARE NOW THE OVERHEAD TRANSFERS ARE NOW APPROACHING 1.4 TO $1.5 MILLION, THAT'S WELL IN EXCESS OF THE $530,000 SURCHARGE I WOULD RECOMMEND WE BEGIN THE PROCESS OF DOING CERTAIN THINGS TO SHORE-UP ABAG'S FINANCES AND I AM SURE SOME OF THESE MEASURES WILL HELP. NOT TO SAY WE HAVEN'T MADE BIG STRIDES MTC HIS SUPPORTED BY GIVING A CASH FLOW LOAN, HASN'T BEEN A DRAWN ON BUT $8 MILLION, BETWEEN THE GRANT EXPANSE AND GRANT REIMBURSEMENT AND THE $2 MILLION LOAN TO THE WATER PROGRAM WATER SAVINGS PROGRAM THEY'VE DRAWN 1 MILLION ON IT AND THAT PROGRAM WILL BE SECURED BY THE WATER BILL AND BE PAID BACK. WE HAVE PAID OFF THE OPEB LIABILITY, ABAG HAS MADE ADJUSTMENTS WE HAVE SUPPORTED THEM. WE LITERALLY HAVE SOME THINGS ON THERE I JUST DON'T THINK WE NEED TO ASSESS AGAINST ABAG ANYMORE, FIRST ONE IS THE $530,000 THAT'S BECAUSE WE'RE GETTING $1.5 MILLION IN OVERHEAD AND THAT'S GOING UP. SO THE 530 SEEMS TO BE IN ADDITION SOMETHING WE NEED. STAFF NOW IS FULLY COVERED WITH OVERHEAD CHARGES THAT'S APPROPRIATE. I

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WOULD RECOMMEND THAT WE WAIVE AT BOTH 422 AND AGAIN AT 421 BECAUSE WE GOT 1.4 MILLION LAST YEAR. SECOND IS A BIT HARDER, ABAG MOST OF THEIR DUES GO PAY OFF LONG-TERM LIABILITY FOR PENSION. THAT PAYMENT IS GOING UP TO ABOUT 1.8 MILLION THIS YEAR AND AT THE INTEREST RATE THEY'RE PAYING PERS THAT NUMBER CAN BE REDUCED. SO, AND I PUT IN THE MEMO, A BASIC MODEL THAT WOULD SHOW THAT, I THINK, WE CAN REDUCE THE INTEREST RATE THAT PERS IS PAYING BY ABOUT 50%. THAT WILL REDUCE THEIR ANNUAL PAYMENTS BY ABOUT 3 TO $400,000 A YEAR. WE WOULD EXTEND THE PAYMENTS A BIT TO GIVE MORE CARB FLOW SAVINGS AND STRUCTURAL THINGS THAT WOULD IMPROVE IT BUT IT GIVES ABAG BACK AN ENORMOUS AMOUNT OF CASH FLOW THAT IT DOESN'T HAVE RIGHT NOW. AS ANYTHING ELSE THAT ITEM PASSES TO THOSE PENSION PAYMENTS AND ANYTHING ELSE DONE TO THE NEW ACTUARIAL STANDARDS ABAG DOESN'T HAVE IMMEDIATE MEANS OF DOING IT. THAT'S THE SECOND THING. AND I RECOMMEND THAT WE DO WHAT WE DID FOR WETA AND THE STATE OF CALIFORNIA, I THINK WE HAD ANOTHER DEAL AT BART, BASICALLY, WE WOULD INVEST IN THE BONDS. THE BONDS WOULD -- THEY WILL BE WRITTEN AND DESIGNED TO BE REGULAR TUSIT BASED MUNICIPAL BONDS HOWEVER WE INVEST IN THEM WE GET PAID THE INTEREST ON IT, THEY WOULD BE SECURED BY THE DUES THAT ABAG ASSESSES AND SUBJECT TO ABAG AGREEING THOSE COVERAGES WON'T GO DOWN AND COVERAGE IN THEM. WE WILL GET A SPREAD AGAINST TREASURIES ABAG WILL GET A REDUCTION IN THEIR COST OF ROUGHLY 50% AND THAT WORKS FOR EVERYBODY. AND THE LAST ONE, AND AGAIN

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ONE OF THE THINGS THAT WE DIDN'T THINK THROUGH WHEN WE WERE DOING THE TRANSITION IS THAT ABAG OWNS APPROXIMATELY NINE% OF THIS BUILDING. THAT COVERS ROUGHLY 70 EMPLOYEES. THEY'RE SITTING IN SEATS THAT ARE -- THEY ARE NOW ALL MTC EMPLOYEES COVERED BY MTC AND MTC'S OVERHEAD. WHAT I WOULD PROPOSE IS THAT WE RESTRUCTURE ABAG'S OWNERSHIP A BIT, TAKE THE 70 SEATS OFF THE FLOOR, AND MTC AND PERHAPS THE AIR DISTRICT WOULD PURCHASE THOSE, AND THEN INCREASE ABAG'S OWNERSHIP OF THE COMMON AREA, PARTICULARLY THE AUDITORIUM AND THE BOARDROOM DOWNSTAIRS, ABAG WOULD COME UP WITH ROUGHLY 5% OWNERSHIP IN THE BUILDING AND THEN WE WOULD REIMBURSE THEM OR PAY THEM BACK FOR THE PORTION THAT HAD PEOPLE IN THEM, THEY WOULD SELL THAT TO US AND AGAIN THE PEOPLE ARE ALL MTC EMPLOYEES AND ARE COVERED BY MTC. THOSE ARE THREE MAIN COMPONENTS. ONLY ONE, THE 530,000 WILL IMPACT US THIS YEAR. IF WE GO TO THE '21, THAT WOULD REQUIRE A BUDGET CHANGE AND WE WOULD PRESENT THAT TO YOU PROBABLY IN NOVEMBER. THAT'S THE LONG AND SHORT OF IT. I THINK WITH THESE ACTIONS DONE, ABAG WINDS UP IN A VERY, VERY SOLID FINANCIAL SITUATION. WHEREAS, A PARTNER, AND A LONG-TERM PARTNER, AND HERE WITH RHNA, AND REAP, AND ALL THE OTHER THINGS, I THINK YOU HAVE GOT TO HAVE A PARTNER THAT'S AS SOLID FINANCIALLY AS WE ARE. AND THAT'S WHY I'M PROPOSING IT. THE OTHER REASON IS THAT CONDITIONS HAVE CHANGED SINCE WE HAVE MADE THE INITIAL CONSOLIDATION, AND I THINK WE NEED TO MAKE

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THE ADJUSTMENT, STILL. THIS'S MY SUGGESTIONS. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS.

FEDERAL D. GLOVER: OKAY. WE'LL OPEN IT UP TO THE COMMISSION FOR QUESTIONS OR COMMENTS. IS THERE ANY MEMBER? YES, VICE CHAIR JOSEFOWITZ?

NICK JOSEFOWITZ: THANK YOU, CHAIR GLOVER. SO I THINK IT'S GREAT THAT WE'RE TRYING TO KIND OF HELP ABAG TO STAY ON -- REGAIN FINANCIAL FOOTING, AND I THINK THAT'S SOMETHING THAT WE REALLY SHOULD BE -- AND I COMMEND YOU FOR BEING PROACTIVE ABOUT THAT. HOWEVER, LIKE THE LAST TIME YOU BROUGHT UP THE IDEA OF PENSION OBLIGATION BONDS, I CONTINUE TO HAVE A REAL PROBLEM WITH PENSION OBLIGATION BONDS. IT REALLY DOES FEEL LIKE YOU'RE TAKING CREDIT CARD DEBT OUT TO PAY FOR YOUR MORTGAGE. AND THE WAY WE REPAY PENSION OBLIGATIONS IS TO REPAY PENSION OBLIGATIONS NOT TO LEVERAGE UPTAKE A BIG BET ON THE STOCK MARKET AND HOPE THAT THAT PANS OUT. SO, I -- IF I HAVE UNDERSTOOD WHAT'S HAPPENING HERE, I HAVE GOT A REAL PROBLEM WITH PENSION OBLIGATION BONDS LIKE I HAD LAST TIME AND LIKE OTHERS HAD LAST TIME AND THAT'S WHY WE DIDN'T DO IT FOR MTC.

FEDERAL D. GLOVER: OKAY. ANY OTHER COMMENTS? QUESTIONS, OR RESPONSE FROM BRIAN? I DO SEE -- WE WILL HOLD THAT --

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COMMISSIONER PAPAN AND COMMISSIONER SPERING. COMMISSIONER PAPAN, YOU ARE MUTED.

GINA PAPAN: I'LL PASS AT THIS MOMENT.

FEDERAL D. GLOVER: COMMISSIONER SPERING?

JAMES P. SPERING: I HAVE THE SAME CONCERNS THAT NICK EXPRESSED ON THE OBLIGATIONS, I THINK WE NEED TO COME UP WITH A BETTER STRATEGY, HOPEFULLY, IN THE LONG-TERM, BUT I WANT TO AGREE WITH THE PARTIAL OWNERSHIP IN THE BUILDING. I FELT VERY UNCOMFORTABLE ABAG SELLING OFF THEIR FULL PORTION THIS THEY OWN. AND I THINK THEY HAVE TO HAVE A VESTED INTEREST IN THE BUILDING. SO I THINK THE PROPOSAL THAT YOU'RE MAKING IS A GOOD ONE. BUT I JUST WANTED TO EXPRESS THE SAME CONCERNS THAT NICK DID. I THINK THOSE OBLIGATIONS, THERE NEEDS TO BE A MUCH STRONGER COMMITMENT. I'M NOT SURE HOW THE ESCALATING DUES OR MEMBERSHIP, HOW THAT DEALS WITH THAT IN THE LONG-TERM, BEING THAT IT'S VOLUNTARY, THAT, YOU KNOW, AT SOME POINT IF IT GETS TOO EXPENSIVE, YOU MAY HAVE CITIES AND COUNTIES DROPPING OUT. BUT I THINK THE PROPOSAL THAT WE HAVE BEFORE US RIGHT NOW IS A GOOD FIRST STEP. THANK YOU, MR. CHAIRMAN.

FEDERAL D. GLOVER: OKAY. THANK YOU. COMMISSIONER RABBIT? CHAVEZ FOLLOWS.

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DAVID RABBIT: THANK YOU VERY MUCH. I JUST WANTED TO ECHO THAT. I KNOW OUR COUNTY HAD FOUR POBS BEFORE MY TENURE. ONE OF THE THINGS THAT WE FIRST DID, WHILE ONE OF THOSE HAS BEEN SUCCESSFUL, AND IS ACTUALLY BEAT THE PRECEDING AS IT WERE, ANOTHER ONE LOOKS LIKE IT'S MOVING IN THAT DIRECTION. I THINK POLITICALLY I AGREE WITH THE COMMENTS MADE EARLIER, ESPECIALLY BY COMMISSIONER JOSEFOWITZ, ABOUT THE -- HOW THAT COMES ACROSS TO THE PUBLIC AND HOW WE SHOULD REALLY WATCH THAT. OF COURSE, AFTER -- YOU KNOW, RIGHT NOW, THINGS ARE DOING WELL IN THE MARKET, AND ONE WOULD ASSUME THAT YOU WOULD BEAT THE SPREAD, BUT ALL IT TAKES IS A COUPLE OF BAD YEARS AND BEFORE YOU KNOW IT, YOU'RE UPSIDE DOWN AGAIN ON SOMETHING THAT YOU'RE JUST INCREASING DEBT, AND I KNOW YOU KNOW THAT BRIAN. I ALSO LIKE THE IDEA OF THE VESTED INTEREST FOR ABAG WITHIN THE BUILDING. I THINK THIS'S A GOOD POINT. THANK YOU.

FEDERAL D. GLOVER: COMMISSIONER CHAVEZ? VICE CHAIR CHAVEZ?

CINDY CHAVEZ: THANK YOU VERY MUCH. BRIAN, I WAS INTERESTED IN YOUR RESPONSE TO THE CONCERNS RAISED ABOUT THE RESTRUCTURING STRATEGY.

BRIAN MAYHEW: WELL, I THINK THERE IS A COUPLE OF THINGS. 50 OF ALL, RESTRUCTURING DATA IS NOT -- I MEAN, THAT'S WHAT I DO FOR

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A LIVING. WE JUST FINISHED A BATA MEETING WHERE WE SHOWED YOU $711 MILLION IN PRESENT VALUE SAVINGS RESTRUCTURING AND THAT HAS GONE INTO EXPRESS LANES AND ALL KIND OF OTHER PROJECTS RESTRUCTURING ISN'T ANYTHING UNUSUAL FOR ME IT'S CERTAINLY RESTRUCTURING DEBT SOMETHING THAT YOU HAVE TO WATCH OUT AND BE VERY CAREFUL. I WOULD SAY A COUPLE OF THINGS, FIRST WE NOT ACTUALLY ISSUING IT. WE'RE THE INVESTOR WE WOULD HAVE THE BONDS, THE BONDS WOULD BE SECURED BY THE MEMBERSHIP DUES. THE BONDS IF WE FELT, COULD ALWAYS BE SOLD INTO THE OPEN MARKET IF WE NEEDED THE LIQUIDITY. WE HAVE DONE THIS BEFORE. WE HAVE ISSUED DEBT ON BEHALF OF OTHER AGENCIES. O AND UNDERWRITTEN IT. AND IT WORKS OUT TO BE -- THEY HAVE ALWAYS WORKED OUT TO BE PRETTY GOOD INVESTMENTS FOR US. AS FAR AS THE CONCEPT OF POB, I THINK THERE IS A -- THERE WAS A -- IF YOU LOOK BACK MANY YEARS, AND I WAS ON THE COMMITTEE THAT WROTE THE STANDARDS FOR OBLIGATION BONDS, THE DAYS OF WHAT WE CALL -- WHAT IS IT -- BULLET BOND, MATURITIES WHERE YOU ISSUE $250 MILLION DUE TO 25 YEARS WITH INTEREST ONLY ON T YOU HAD NO WAY TO MAKE UP THOSE MILLIONS OF DOLLARS AT THE END OF THE DAY AND OF COURSE YOU HAVE WHAT WE HAVE MAKE WHOLE CLAUSES IN THEM THAT SAY IF YOU TERMINATE THESE BONDS AT ANY TIME YOU HAVE TO MAKE UP THE INTEREST ANYWAY. THOSE CONDITIONS DON'T REALLY EXIST, MOST PEOPLE ARE PRETTY SMART NOW AND DON'T LOOK AT THOSE KINDS OF THINGS ANYMORE. STRUCTURALLY, THE SIMPLE MODEL I WORK WITH IS ANALYZE PRINCIPAL TAKE THE $15 MILLION DIVIDE

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BY 15 AND TAKE THE INTEREST ON TOP OF THAT AVAILABLE RATE YOU DON'T HAVE THE MAKE WHOLE PROVISIONS, REALIZING BONDS PAYING THEM OFF EVERY YEAR DEBT SERVICE COST OF DEBT SERVICE GOES DOWN EVERY YEAR. PART YOU OF MY JOB IS TO FIND WAYS TO REDUCE COST. I DO NOT REALLY NEED TO MAKE A SPREAD IN MY WORLD IN THE RISK OF TRANSACTION, ABAG HAS KEEP THE DUES WHERE THEY ARE, AND THE PERS HAS TO LIVE WITH THE REAL ASSUMPTIONS WE MAKE GOING INTO THE DEAL.

CINDY CHAVEZ: BRIAN DID YOU FIGURE WHETHER OR NOT IT MAKES SENSE IS MAYBE YOU'RE ALREADY DOING THIS AND I MISSED IT, ABOUT WHETHER OR NOT THE SAVINGS COULD BE IN A RESERVE THAT THEN COULD BE RESPONSIVE TO PERS? BECAUSE THAT'S ACTUALLY WHERE I THINK THE BIGGER RISK IS.

BRIAN MAYHEW: WE LOOKED AT TWO VARIATIONS ON THE THEME. AND AGAIN ABSENT SOMEBODY WANTING TO DO THIS WE DON'T DO A WHOLE LOT OF MODELING THERE ARE TWO VARIATIONS THAT WE PLAY WITH, ONE IS A CERTAIN DEBT SERVICE PAYMENTS GOING DOWN THE WHOLE AVERAGE AND DIFFERENCE BETWEEN ACTUAL COST AND WHAT WE'RE PAYING, WE DO THIS ON THE AIR DISTRICT FOR EXAMPLE -- THEY HAVE INTEREST RATE ON FINANCINGS BUT HAVEN'T SET A PAYMENT SO FAR THE INTEREST RATE HAS NEVER EQUALLED TO THE ACTUAL PAYMENT AND THEREFORE WE TAKE THE MONEY AS THE DIFFERENCE BETWEEN THOSE WE RETIRE THE PRINCIPAL EARLIER. THE IDEA IS SET

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DECLINING PAYMENTS, WITH REVENUE STREAM SET ONE FIXED PAYMENT WITH MINIMUM SAVINGS OF $400,000 AND THAT STAYS THERE AND SAVINGS BETWEEN A AND B IF THE INTEREST RATE DOESN'T GO UP WE RESERVE AND PUT INTO A 115 TRUST AND DEDICATE TO RESERVE FOR FUTURE PAYMENT. SECOND, STRUCTURE TAKE CONSCIENCE RATE OF MEMBERSHIP DUES AND PUT IT IN A RESERVE. THAT WOULD BE IMPORTANT. BECAUSE MY FEELING WOULD BE GOING INTO THIS, WE WOULDN'T PUT A RESERVE FUND INTO IT SO THERE WOULD BE SOME FORM OF COVERAGE.

CINDY CHAVEZ: GOT IT.

FEDERAL D. GLOVER: ANY OTHER COMMISSIONER?

GINA PAPAN: YES, MR. CHAIR.

FEDERAL D. GLOVER: COMMISSIONER PAPAN.

GINA PAPAN: THANK YOU, SIR.

GINA PAPAN: BRIAN, I HAVE CONFIDENCE IN YOU HERE BUT I AM DEEPLY CONCERNED AS MANY OF MY COLLEAGUES ARE IN TAKING THIS ON, THIS UNDO FUNDED PENSION OBLIGATION SEEMS TO GROW AND GROW AND GROW AND NEVER GET UNDER CONTROL THAT'S MY CONCERN THROUGHOUT THE ENTIRE PROCESS. ABAG ISN'T THE TOLL AUTHORITY,

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THEY DO NOT HAVE A STREAM OF INCOME THAT WOULD PROVIDE THAT KIND OF SECURITY HERE. AND I THINK WHAT'S BEING SUGGESTED IS THAT THE EXPENSES TOWARD THE MEMBER AGENCIES WOULD BE INCREASED AND I'M NOT -- THAT'S NOT GOING TO BE VERY POPULAR, MOVING AHEAD HERE. SO, I -- I'M CONCERNED ABOUT HOW THE PIECES COME TOGETHER HERE. I DO DISAGREE WITH COMMISSIONER SPERING ON THE HAVING OWNERSHIP HERE, AND TO THE BUILDING, AND THAT -- THAT'S -- I DON'T HAVE A PROBLEM WITH THAT. BUT WHEN WE'RE TALKING ABOUT PENSION OBLIGATIONS, IT GETS OUT OF CONTROL SO VERY, VERY QUICKLY. AND I'M NOT SURE ANYBODY CAN GIVE ASSURANCES HERE. SO, YOU CAN MAKE ME FEEL BETTER ABOUT THIS? BECAUSE I'M NOT FEELING VERY GOOD.

BRIAN MAYHEW: WELL, I CERTAINLY APPRECIATE IT'S NOT SOMETHING I MAKE LIGHTLY EITHER. ESPECIALLY, WE HAVE LOOKED AT THIS BEFORE. I WOULD SAY TWO THINGS. NUMBER ONE, THE ADVANTAGE WE HAVE WITH ABAG IS IT'S IN WHAT'S CALLED "RUN-OUT MODE" THERE ARE NO NEW PEOPLE BEING ADDED TO ABAG'S PENSION. SO THE ACTUAL ACTUARIAL COMPUTATION IS MUCH EASIER THAN FACTORING SALARY INCREASES AND PAYROLL INCREASES. YOU'RE LOOKING AT N OUR MODELS FOR US, ROUGHLY 5% A YEAR, SALARY AND BENEFIT GROWTH. THAT'S JUST THE WAY IT'S BUILT, AND ON TOP OF THAT YOU ADD 7% AS THE COST. HERE, ABAG DOESN'T HAVE THAT. THEY WILL EVENTUALLY RUN OUT OF UNFUNDED LIABILITY. I'M JUST TRYING TO MAKE IT A LITTLE MORE COST EFFECTIVE FOR THEM TO TAKE

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ADVANTAGE OF THE MARKET. THE SECOND COMPONENT, AND THIS IS -- I WISH RAYMOND WERE HERE TO GO OVER THE MODEL CAN US, THE SECOND COMPONENT IS, WE'RE TRYING TO STRUCTURE THIS WHOLE SUITE OF MODIFICATIONS SO THAT THE ACTUAL DUES DON'T GO UP. NOW, WHAT WE'RE GOING TO RECOMMEND, TO ABAG, AND I GUESS THIS IS A SPOILER ALERT, BECAUSE I'M LOOKING AT THE PRESIDENT AND THE VICE PRESIDENT AND ALL. SO THEY'RE -- [LAUGHTER] WHAT WE'RE GOING TO RECOMMEND IS THAT THE DUES BE NOT SO STRUCTURED TO BE, YOU KNOW, POPULATION CHANGES, CPI CHANGES, AND THOSE THINGS. BASICALLY, THEY TAKE THE CORE EXPENSES THEY HAVE, OPEB, PENSION, OTHERS, NET REVENUES AND THE DUES HAVE TO COVER THOSE AND YOU SPREAD THEM BY POPULATION WITH SOME FORM OF CAP TO KEEP IT BUDGETARY DISCIPLINE. WE THINK IF WE CAN RESTRUCTURE A COUPLE OF THINGS INCLUDING BOTH THE BUILDING AND THE SURCHARGE, WE ACTUALLY THINK WE COULD DO THIS WITHOUT CHANGING DUES. I'M NOT GOING TO MAKE THAT GUARANTEE. BECAUSE I CAN'T TELL YOU WHAT THE MARKET WOULD DO ON A REFINANCING RATE RIGHT NOW. MAYBE THEY COULD GO IT AT A $400,000 SAVINGS OR COULD BE THAT THE MARKET WOULD CHANGE DRAMATICALLY AND DO IT AT A $200,000 SAVINGS. WE WANT TO BE COGNIZANT THAT THE DUES NEED TO COVER THE EXPENSES SO THE IDEA IS, GET THE EXPENSES DOWN TO WHERE THEY CAN BE COMFORTABLY COVERED BY THE DUES, AND THEN ADJUST MANUALLY BY WHATEVER THE BOARD SHOULD DECIDE THAT I WANT AS A BUDGET, RECALCULATE DUES AND THAT'S WHAT GOES UP.

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GINA PAPAN: DO WE HAVE ANY INKLING WHERE THE BOARD IS ON THAT PERSPECTIVE HERE? I MEAN, WE AS MEMBER AGENCIES, HOW OUT OF WHACK ARE THE CURRENT DUES COMPARED TO WHAT MAY BE IN THE FUTURE, OR SIMPLIFIED AS YOU HAVE PRESENTED HERE?

BRIAN MAYHEW: THE REASON FOR ALL OF THIS IS BECAUSE THE CURRENT BUDGET IS OUT OF WHACK INTO A DEFICIT MODE. AND PROJECTIONS ARE THAT IT WILL JUST REMAIN. THAT'S WHY WE'RE TRYING TO FIX IT.

GINA PAPAN: AND I GET THAT. MY CONCERN IS, WHO THAT BURDEN FALLS ON. SO, NOT HAVING THE ABAG GROUP HERE, NOBODY SHOULD BE RUNNING ANY DEFICIT, PERIOD. MOST OF OUR CITIES HAVE OBLIGATION WHERE IS WE CANNOT RUN INTO DEFICIT. SO IT'S NOT ENCOURAGING THAT ABAG IS RUNNING IN THAT WAY. SO, I GUESS I WOULD NEED MORE INFORMATION ON THE PLAN TO, AS YOU HAVE PROPOSED HERE, WHICH I THINK IS VERY REASONABLE, TO HAVE THEM COVER THEIR EXPENSES AND MOVE FORWARD. SO, IS THERE A WAY TO GET THAT INFORMATION? BECAUSE, YOU KNOW, I APPRECIATE YOUR PLAN HERE, AND IT'S NICE TO KNOW THAT IT WILL RUN OUT AT SOMETIME, THAT IT WON'T KEEP INCREASING HERE, BUT I THINK I NEED MORE INFORMATION ON THAT FRONT, IF IT'S POSSIBLE.

BRIAN MAYHEW: OH SURE.

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FEDERAL D. GLOVER: SO WHAT ARE THE THINGS -- WHAT --

THERESE MCMILLAN: SORRY --

FEDERAL D. GLOVER: GO AHEAD.

THERESE MCMILLAN: JUST TO INTERJECT SOMETHING. TO COMMISSIONER PAPAN'S POINT. BRIAN OR BRAD IT MIGHT BE HELPFUL TO IDENTIFY THE UPCOMING DISCUSSION, DECISION POINTS, AT ABAG, AND THEN AT MTC, THERE IS THIS -- YOU KNOW, THIS IS AN INFORMATION ITEM, BUT JUST HIGHLIGHT WHEN THIS LARGER DISCUSSION IS COMING BEFORE ABAG EXECUTIVE BOARD, AND, YOU KNOW, WHEN WE WOULD BE COMING BACK TO MTC, JUST SO FOLKS HAVE A SENSE OF THAT TIMELINE.

SPEAKER: IT WOULD BE APPRECIATED.

GINA PAPAN: APPRECIATED.

BRIAN MAYHEW: WE PLANNING TO TAKE THE IDEAS TO THE ABAG EXECUTIVE BOARD THIS MONTH.

THERESE MCMILLAN: BRAD, YOU'RE ON MUTE, BY THE WAY.

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BRIAN MAYHEW: IF WE AGREE TO WAIVE THE SURCHARGE WE WILL HAVE TO MAKE A BUDGET IF YOU DON'T WANT TO INVEST IN THE PENSION OBLIGATION BONDS YOU DO NOT HAVE TO. THAT'S CERTAINLY WITHIN YOUR RIGHTS. AND THAT IS STILL SOMETHING THAT ABAG MIGHT STILL WANT TO CONSIDER WHETHER YOU UNDERWRITE THEM OR NOT. AS FAR AS THE BUILDING IS CONCERNED THAT IS A DECISION THAT MTC HAS TO MAKE. THERE ARE TWO COMPONENTS YOU HAVE TO MAKE. ONE, YOU LITERALLY JUST SAY NO, AND WE SEE WHAT ABAG WANTS TO DO WITH THEIR SIDE OF IT. SO, I THINK THE IDEA IS, WE WANTED TO APPROACH THIS HERE, TO SEE WHAT THE TEMPERATURE WAS FOR THIS ASSISTANCE TO ABAG THAT WE CONTEMPLATING THEN APPROACH TAKING IT TO THE ABAG FINANCE COMMITTEE AND EXECUTIVE BOARD, AND PUT THE SAME IDEAS TO THEM AND SEE WHICH ONES ARE THE IDEAS WE WANT TO EXECUTE, IF ANY.

FEDERAL D. GLOVER: OKAY. SO I THINK WE GOT A GOOD UNDERSTANDING OF WHAT THE TEMPERATURE IS OF THE COMMISSION. AS SAID, THIS IS AN INFORMATIONAL ITEM. I WANT TO BE ABLE TO REACH OUT NOW TO OUR PUBLIC, AND SEE IF WE HAVE ANY WRITTEN COMMENT? OR ANY MEMBER OF THE PUBLIC PRESENT TODAY?

KIMBERLY WARD, CLERK: I SEE NO MEMBER OF THE PUBLIC WITH THEIR HAND RAISED, MR. CHAIR, AND I HAVE RECEIVED NOTHING IN WRITTEN FOR THIS ITEM.

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FEDERAL D. GLOVER: AGAIN THIS IS AN INFORMATIONAL ITEM, AND I THINK, BRIAN, THE TEMPERATURE YOU WERE LOOKING FOR WAS RECEIVED TODAY, AND WE'RE LOOKING FORWARD TO YOU COMING BACK IN NOVEMBER, UNDERSTANDING WHAT THE TEMPERATURE IS. OKAY? SO WE WILL MOVE TO OUR NEXT ITEM WHICH IS PUBLIC COMMENTS. DID WE RECEIVE ANYTHING? FOR CLOSE OF DAY.

KIMBERLY WARD, CLERK: I HAVE RECEIVED NOTHING IN WRITING AND I SEE NO MEMBER OF THE PUBLIC WITH THEIR HAND RAISED.

FEDERAL D. GLOVER: OKAY. SO AT THIS TIME, WE WILL ADJOURN THE MEETING UNTIL -- NEXT MEETING WILL BE HELD NOVEMBER 10TH. HOPEFULLY AT THE SAME TIME, AS SCHEDULED. WE'RE ADJOURNED. [ADJOURNED

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