

Metropolitan Transportation Commission Administration Committee

October 9, 2019

Agenda Item 3a

MTC Resolution No. 4358, Revised – ABAG Operational Advance for Liquidity and Cash Flow

Subject: This item requests that the Committee authorize the referral of MTC Resolution No. 4358, Revised to the Commission for approval to extend the \$10 million ABAG Operational Advance for Liquidity and Cash Flow through December 2021 and allow up to \$2 million for longer term loans to Association of Bay Area Governments (ABAG) programs.

Background: Under the Contract for Services between ABAG and MTC, MTC provides administrative and financial services to ABAG. One unintended consequence of this structure was to create a mismatch between contract payments for grant-funded projects and reimbursement from the granting agencies. To remedy this cash flow mismatch and the subsequent account deficits, MTC Resolution No. 4358 authorized a \$10 million operational advance to be used to cover the contract payment and reimbursement period gap.

Since approval of the operational advance in December 2018 we have eliminated cash deficits in all of the ABAG operating and special revenue funds. Moreover, advances in accounts payable and billing have significantly reduced the timing between contract payment and reimbursement.

Staff recommends continuation of this operational advance at the same \$10 million funding level with two changes. The recommended changes are:

- Extend the period of the operational advance for two years, to expire in December 2021; and
- Allow up to \$2 million of the funding to be utilized for longer term program loans.

The multi-year structure will allow simple advances to carry over a single fiscal year. Further, the operational advance program has proven relatively easy to administer and given the fully secured nature of the advances, there is no need for more frequent review.

The second change recognizes that some ABAG programs need longer-term assistance. ABAG BayREN, for example, is developing a water-saving residential retrofit program to facilitate the installation of water saving devices into residential homes with the cost recovered through the

water utility billing process. The water utility would guarantee repayment of the retrofit costs, regardless of actual customer payment.

ABAG has grants to institute the program but not the cost of the improvements. The recommended revisions to MTC Resolution No. 4358, Revised would allow for up to \$2 million of the \$10 million advance to be used for longer term ABAG loans so long as the principal is fully protected in the same manner as the grant advances.

Issues: No Issues Identified

Recommendation: Staff recommends that the Committee refer MTC Resolution No. 4358, Revised to the Commission for approval to authorize extension of the ABAG operational advance program through December 2021 and to authorize up to \$2 million to be made available for longer term fully secured ABAG program loans.

Attachments: MTC Resolution No. 4358, Revised



Therese W. McMillan

Date: November 28, 2018
W.I.: 1152
Referred by: Administration
Revised: 10/23/19-C

ABSTRACT

Resolution No. 4358, Revised

This resolution approves the terms and conditions to provide the Association of Bay Area Governments (ABAG) with an operational advance to meet liquidity and cash flow requirements.

This resolution was revised on October 23, 2019 to extend the ABAG Advance program to December 2021 and to authorize up to \$2 million to be used for multi-year loans.

Date: November 28, 2018
W.I.: 1152
Referred by: Administration

RE: ABAG Operational Advance

METROPOLITAN TRANSPORTATION COMMISSION
RESOLUTION NO. 4358

WHEREAS, MTC and ABAG extended a Contract for Services effective on May 30, 2017; and

WHEREAS, under the Contract for Services responsibility for ABAG financial services was transferred to MTC effective July 1, 2017; and

WHEREAS, in the process of administering ABAG finances, MTC determined that the volume of grants and contracts payable frequently exceeds the available cash to make timely payments; and

WHEREAS, the delay in processing ABAG payments potentially creates problems in project delivery and delays in reimbursement; and

WHEREAS, MTC proposes to resolve these issues through an advance of funds to be repaid by future grant reimbursements; now, therefore, be it

RESOLVED that MTC agrees to make an operational advance to ABAG not to exceed \$10 million; and be it further

RESOLVED the Executive Director or Chief Financial Officer is directed to set aside \$10 million from any available MTC undesignated reserve; and be it further

RESOLVED that ABAG will be allowed to draw on the advance to meet cash flow needs; and be it further

RESOLVED that MTC authorizes up to \$2 million of the operational advance for longer term project loans; and be it further

RESOLVED that repayment of all advances be secured by grant or other revenue reimbursement; and be it further

RESOLVED that ABAG will be charged the equivalent of 1.00% on any drawn amounts with no charge to be accrued on undrawn amounts; and be it further

RESOLVED that this advance shall be available until December 31, 2021, unless reauthorized in advance by MTC and ABAG subject to any outstanding longer-term project loans; and be it further

RESOLVED the Executive Director and Chief Financial Officer are directed to report on the status of the advance at least quarterly.

METROPOLITAN TRANSPORTATION COMMISSION

Scott Haggerty, Chair

The above resolution, revising and superseding the resolution approved on November 28, 2018 was entered into by the Metropolitan Transportation Commission at a regular meeting of the Commission held in San Francisco, California on October 23, 2019.