

# Metropolitan Transportation Commission Administration Committee

October 13, 2021

Agenda Item 4a - 21-1246

## MTC Administrative Support For ABAG

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**Subject:** A recommendation for a series of financial options to provide support to ABAG Administrative functions and reduce the future ABAG structural operating deficit. Overall cost to MTC will be approximately \$530,000 from the termination of the ABAG staff surcharge.

**Background:** Since the consolidation of ABAG staff into MTC operations, MTC has provided support to ABAG operations. In general the support has been to facilitate ABAG's grant operations, including (MTC Resolution Nos. 4385 and 4394):

- Cashflow advances up to \$8 million to cover the timing differential between vendor payments and grant reimbursements. The advances are secured by ABAG grant receivables; and
- BayRen Energy program loan of up to \$2.0 million to facilitate development of a residential water savings program. The loan is secured by utility payments guaranteed by the participating water utility.

MTC annually reviews the type and amount of financial support provided to ABAG and makes adjustments for both amounts and programmatic needs.

### **ABAG Administrative Finances**

The support provided through MTC has helped ABAG and its millions of dollars in grant operations maintain their integrity in the transition, however, ABAG has not been able to control the administrative deficit. This is not to say ABAG has not made financial improvements. For example, the entire OPEB obligation has been retired in just the last three years, the final payment made through a contribution from ABAG FAN.

Most of the operating budget goes to pay the unfunded pension obligation. However, there are MTC charges that are contributing to the deficit as well. These charges include the staff surcharge as well as building assessments. These charges may no longer be appropriate, or necessary. As such, staff is proposing a series of modifications that will help improve the ABAG finances. These actions include:

- Waive the \$530,000 staff surcharge. The staff surcharge was approved as a means of supporting the administrative cost of the approximately 70 staff that transitioned to MTC. At the time the charge was implemented, there was no administrative overhead from the ABAG grant programs to cover support costs. Since the consolidation, almost all grants have full overhead rates assessed and we expect all grants to cover administrative overhead in the next two years. The total administrative overhead charge MTC earned from ABAG grants was \$1.4 million in FY 2021, far in excess of the \$530,000 surcharge.

- Underwrite a restructuring of the ABAG pension obligation. Under current market conditions a restructuring of the \$17 million unfunded pension obligation could save ABAG approximately \$400 thousand annually.

	<b>Current</b>	<b>Revised</b>
Payment	\$1.7 million	\$1.4 million
Rate	7.0%	3.0%
Term	13 years	15 years
Total Pmts	\$22.1 million	\$21.0 million
Principal	\$17 million	\$17 million

Under current market conditions the obligation can be restructured on a taxable basis, extended two years and still result in lower annual payments. Payments will be secured through the ABAG annual dues assessment. MTC has underwritten other local obligations, including a building improvement for WETA and local construction projects through the State of California

- Reconsider ABAG ownership in 375 Beale building. ABAG owns approximately 9% of the 375 Beale St. condominium. The ownership was based on space for approximately 70 ABAG employees who are now under MTC administration and covered by MTC overhead calculations. The ownership could be restructured to include a proportion of the common areas such as board and meeting rooms and relieve ABAG of the staffing space.

In addition, we will be requesting that ABAG change the way the dues are calculated and assessed. Currently, the charges are based on the prior-year assessment adjusted by a combination of population and CPI change the assessed on a declining per-capita scale depending on member population size. This formula covered only \$2.5 million of the FY 2022 budget of nearly \$4.2 million. We will recommend as part of the FY 2023 budget development that the formula be based on total expenses and assessed to members on a straight per-capita basis. These changes will help facilitate the financial integrity and future for ABAG. As important, the potential change in charges and space reflect the changing nature and evolution of the business relationship between ABAG and MTC.

ABAG is an important regional partner and their financial security is important to the future of this partnership. The combination of MTC and ABAG changes should solidify ABAG financial integrity for years to come.

**Specific Actions**

**MTC**

- Waive the \$530,000 staff surcharge assessed for both FY 2021 and FY 2022. FY 2021 will require an amendment to the FY 2022 Operating Budget
- Approve underwriting the ABAG pension restructuring. Approval will require an amendment to MTC Resolution No. 4559
- Develop a revised ownership plan for ABAG ownership in 375 Beale St. based on common area ownership

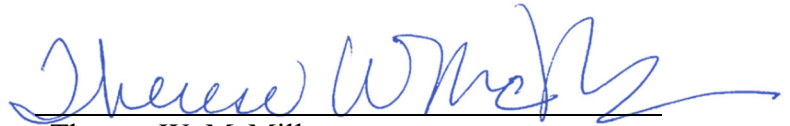
**ABAG**

- Agree to pension restructuring and retain professional support
- Agree on independent representative to restructure 375 Beale St. ownership
- Develop new dues assessment model based on total costs for presentation to the General Assembly as part of the FY 2023 budget

Total cost of the recommendations will be the \$530,000 per year for waiving the staff surcharge for FY 2021 & FY 2022. Any underwriting costs will be covered as part of the financing and fees for restructure the building should be covered as part of the restructuring.

**Recommendation:** Staff requests MTC Administrative Committee direction on the above actions.

**Attachments:** None

  
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