

Association of Bay Area Governments

Finance Committee

March 16, 2023

Agenda Item 7.a.

ABAG Structural Deficit

Subject:

Consideration of ABAG Structural Deficit and Direction to Staff

Background:

On October 28, 2022, the ABAG Executive Board held a special workshop at the Bay Area Metro Center to better understand the structural deficit challenges facing the organization and to consider options that could help to address those challenges. Topics of the workshop included:

- Level setting on the challenges associated with the current ABAG Administration budget as well as other programmatic budgets where current practices mask the full challenge of ABAG's funding
- Developing a more comprehensive understanding of the current status of the ABAG pension plan and the relationship between the pension plan and ABAG's structural deficit
- Potential options for addressing the challenges identified during the workshop

Based on the discussion among Executive Board members and staff, staff requests direction from the Executive Board to work with the Metropolitan Transportation Commission and other parties to pursue the following two options:

- Sale of ABAG's condominium interest in the Bay Area Metro Center to one or both of the other condominium holders, with the use of any sale proceeds (e.g., establishing adequate reserves and/or paying down unfunded pension liability) to be directed in conjunction with the approval of any such sale
- A loan of funds from MTC to ABAG to allow ABAG to establish and fund a Section 115 Trust for the purpose of making future payments related to ABAG's closed CalPERS pension plan and/or making payment to CalPERS directly to reduce the existing unfunded liability associated with the pension plan

Separately, staff requests direction as to the allocation and calculation of member agency dues to be presented in the proposed budget that will be considered by the ABAG Finance Committee and the ABAG Executive Board at their special meetings on April 20, 2023.

- Separately presenting components of member agency dues associated with (1) the funding of unfunded pension liabilities, and (2) the ongoing ABAG operations and programs
- Proposing an ABAG dues increase of 10% over those included in the FY 2023 budget

The requested direction would allow ABAG to more comprehensively address the financial issues associated with the unfunded liabilities of its closed CalPERS pension plan, and increase transparency associated with the calculation and allocation of member agency dues.

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With this requested direction, staff would return with the budget related work at the April 2023 special meetings and would return with follow-up discussions/requested action at future meetings (likely Summer 2023).

Recommended Action:

Information. Provide requested direction to staff to:

- Enter into discussions regarding the sale of ABAG's condominium interest in the Bay Area Metro Center
- Enter into discussions regarding a loan from MTC to ABAG for the purpose of addressing ABAG's unfunded pension obligations
- Propose, in the FY 2023/2024 proposed budget (to be presented at the April 20, 2023 meeting), a 10% dues increase for FY2023/2024
- Continue working to better identify and quantify degree of existing MTC financial and operational support of ABAG

Attachment:

A. Presentation

Reviewed:



Andrew Fremier