Attachment C
MTC-ABAG Merger Study
Financial Forecast

As part of the MTC-ABAG Merger Study, Management Partners performed a third-party six-year financial forecast (FY 2014-15 through FY 2021-22) for both agencies under two scenarios.

1. *Funding Framework for 2014 (Funding Framework).* The first six-year forecast is based on the funding framework described in a June 18, 2014 memo from the MTC executive director entitled Revised Funding Agreement for MTC/ABAG Joint Planning, Research and Administrative Facilities. That memo set forth a Funding Framework that would guide future funding agreements for continued MTC support of the ABAG planning function. Amounts paid by MTC on behalf of ABAG for tenant improvements to the new San Francisco offices to which MTC and ABAG will soon be moving are included as part of this Funding Framework.
2. *Implementation of MTC Resolution 4210.* The second forecast examines the impact on both agencies following the implementation of MTC Resolution 4210. The "Principles for Functional Consolidation" in Attachment A to Resolution 4210 state in part:

   > *Beginning July 1, 2016, MTC shall offer positions at equal or better compensation to 13 ABAG planners through a right of first refusal retention process, and together with MTC's planning department, shall create an integrated regional planning department…*

Both financial forecasts are included in the attached PowerPoint slides, which will be presented at the March 25 meeting of the Joint Committee.

Assumptions

Each agency provided historical financial data, estimates of their future revenue and expense growth, and data on the cost of employee salaries and benefits. Grant-funded agencies, by their very nature, are not in control of the funding they receive from outside sources. Management Partners assumed a continuation of current funding levels with inflationary growth, based on input from both agencies. Personnel costs were trended using existing labor MOUs and future inflationary growth. Pension costs were predicated on CalPERS' 2014 valuation and six-year forecast, taking into account a continued transition of payroll over time from "Classic" to "PEPRA" status. A modest recession was assumed in 2017 that would affect Transit Development Act (TDA) sales tax collections, with a recovery over the ensuing two years.

For MTC's budget forecast, only their operating budget, Proposition 84 funding passed through to ABAG, and that portion of their long-term federal grants that historically has been allocated to meet part of the funding commitment to ABAG under the 2014 Funding Framework was used. Debt service and capital spending for MTC and their affiliated agencies was excluded. ABAG's annual operating budget served as the basis for their forecast.

In both the MTC and ABAG forecasts, reference is made to Governmental Accounting Standards Board (GASB) 68 and the requirement to include the present value of unfunded pension liabilities on the balance sheet, rather than identifying it in the footnotes to annual financial statements. This requirement does not affect the cash available to meet current budgetary commitments.

MTC Financial Forecast

Under a continuation of the 2014 Funding Framework, MTC's total reserves are projected to decrease from $36.7 million in FY 2014-15 to $32.1 million in FY 2021-22. The agency's unrestricted balance decreases from $23.1 million in FY 2014-15 to $14.6 million in FY 2021-22. (This is before taking into account a GASB 68 unfunded pension liability of $16 million in FY 2014-15, which is assumed to decline over the next 30 years.) This shortfall is manageable given the level of MTC reserves, and can also be addressed through corrective actions phased in over the coming years. The reasons for this ongoing decline in balance are primarily:

- Increased pension costs, with annual unfunded liability costs increasing from $1.3 million in FY 2014-15 to $2.8 million by FY 2021-22, and
- Loss of Proposition 84 grant funding that has been passed through to ABAG in lieu of a comparable amount of funding from other MTC sources. This loss averages $640,000 annually starting FY 2016-17.

Following implementation of Resolution 4210, MTC will add approximately $2.4 million in salary, benefit, and other post-employment benefits (OPEB) costs for the 13 planning positons, and another $1.2 million in indirect costs. This $3.6 million, combined with $1.75 million in transition funding and tenant improvements, results in an increase of approximately $1 million annually compared with $4.3 million in commitments under the 2014 Funding Framework. Transition funding of $1.2 million would continue through FY 2021-22, the same year in which funding of ABAG tenant improvements for the new San Francisco offices terminates. As a result, MTC's total reserves are projected to decline from $36.7 million in FY 2014-15 to $24.9 million in FY 2021-22. The agency's unrestricted balance declines from $23.1 million in FY 2014-15 to $7.4 million in FY 2021-22 (before GASB 68). The reasons for this net ongoing decline in balance are:

- A net increase of $5.5 million in expenses over the five years starting FY 2016-17, due primarily to paying both transition funding to ABAG and the cost of the 13 new planners.
- A reallocation of $1.7 million in various federal grants from funding planning operations starting FY 2021-22 after the commitment to ABAG ends. (This has historically been used to fund part of the Funding Framework; however, MTC has indicated it may choose to make it available for alternative budget priorities after FY 2021-22 and therefore it has not been allocated in support of ongoing planning costs.)

ABAG Financial Forecast

Under a continuation of the 2014 Funding Framework, ABAG's total reserves are projected to decline from $1.8 million in FY 2014-15 (5% of total expense) to $57,000 in FY 2021-22 (0.1% of total expense). (This is before taking into account the GASB 68 unfunded pension liability of $11.8 million in FY 2014-15, which is assumed to decline over the next 30 years.) The reasons for this ongoing decline in balance are primarily labor costs, especially increased pension costs, with annual unfunded liability costs increasing from $822,000 in FY 2014-15 to $1.7 million by FY 2021-22. This existing structural shortfall, however, is believed to be manageable with corrective actions phased in over the coming years. The current $1.8 million balance represents a low reserve for an agency highly dependent on grants, contracts and service programs. The Government Finance Officers' Association (GFOA) recommends a standard of two months operating expense, which for ABAG would be about 16.7%. For this analysis, the 2014 Funding Framework is assumed to be ongoing, although it only extends through FY 2020-21 by existing contract.

Following the implementation of MTC Resolution 4210, 13 planning positions are proposed to be reassigned to MTC for an expense reduction of approximately $2.4 million in salary, benefit and OPEB costs. Additionally, $1.1 million in indirect costs currently allocated to the existing MTC contract would no longer be available. MTC funding for planning services would be reduced from $3.8 million to $1.2 million, a loss of $2.6 million. The unfunded pension liability costs assigned to the 13 positions ($230,000 annually) must still be paid to CalPERS, so these costs are effectively reallocated over fewer remaining positions. This will result in a net overall annual budget shortfall of $440,000 in FY 2016-17.

After the transition funding ends in FY 2021-22, the net loss will rise to $1.7 million. Without any corrective action, the combined impact of the preexisting structural shortfall and the implementation of MTC Resolution 4210 would reduce ABAG's available fund balance from $1.8 million in FY 2014-15 to a $4.0 million deficit in FY 2021-22 (before GASB 68).

Additionally, the post MTC Resolution 4210 financial forecast assumes that ABAG would be able to increase its indirect cost rate from 45% to 65% on a smaller direct-cost basis. This would likely have significant, but varying impacts on or responses from granting agencies and other ABAG service providers such as:

- An inability to pass on a higher rate due to contractual agreement;
- An acceptance of the higher indirect costs, which may result in commensurate cuts in direct costs funded by the grant; or
- An increase in revenue to fund current direct costs as well as higher indirect costs. (This is the least likely to occur.)

It was not part of the scope of this project to analyze options in depth to address the financial issues that we believe will emerge for ABAG under the current Funding Framework (manageable) and after the implementation of MTC Resolution 4210 (more significant). We have, however, provided some possible avenues in the presentation slides.

Management Partners

MTC Financial Forecast

Fiscal Impact from Consolidating
Core Planning Functions in MTC

Presentation to Joint Committee
March 25, 2016

Item 7, Attachment C

Purpose of Study

- Impartial third-party review
- Determine:
  - Financial condition of both ABAG and MTC with and without shifting of 13 planner positions from ABAG to MTC
  - Extent to which there are pre-existing financial pressures
  - Likely fiscal impact from the shift of planners
- No recommendations to address financial issues

Conclusions-2014 Funding Framework
Balance Declines Due to Pension, Prop 84 Loss

- Total MTC O&M budget reserves decline from $36.7M in FY 14-15 to $32.1M in FY 21-22
  - Projected expense and grants per MTC staff
  - CalPERS unfunded liability costs increase from $1.3M in FY 13-14 to $2.8M in FY 21-22
  - Prop 84 deficit of $640K annually from loss of grant
  - ABAG cost of $4.3M in FY 16-17 is 9% of total $50.3M MTC expense
- Unrestricted balance declines from $23.1M in FY 14-15 to $14.6M in FY 21-22
  - Before GASB 68 unfunded pension liability of $16.0M in FY 14-15, declining over next 30 years

Conclusions-Res. 4210
Planner Shift Adds Net Cost of $5.5M

- Adds $2.4M in direct costs and other expense for 13 planners
  - Includes salary, OPEB and other expense
- Adds $1.2M in indirect costs (54.0% rate drops to 50.3%)
- ABAG contractual cost (from all sources) drops from $4.35M to $1.75M
- Net increase in total costs vs. Framework of $5.5M over five years
  - In FY 21-22 MTC cost is $4.18M under Res. 4210 vs. $4.09M under continued Framework funding
- Decline in MTC's O&M budget reserves: $36.7M in FY 14-15 to $24.9M in FY 21-22
  - Unrestricted balance declines from $23.1M in FY 14-15 to $7.4M in FY 21-22 (before $16.0M GASB 68 unfunded pension liability)

Key MTC Forecast Assumptions

- TDA sales tax growth per HdL multi-year forecast but with modest recession assumed in 2017
- Maintain current grants with 1.5-2% growth or as provided by MTC staff
- Transfers in continue FY 15-16 levels with 2% growth
- Salary growth per labor agreement into 2017, assumes 2% COLA thereafter plus applicable step increases
- Health contribution growth at 8%
- OPEB costs grow with salary COLA
- Other costs increase at 2% annually (temporaries, contract)
- Pension costs per CalPERS 2014 valuation with assumed annual conversion from Classic to PEPRA status equal to 5% of payroll; no change in discount rate

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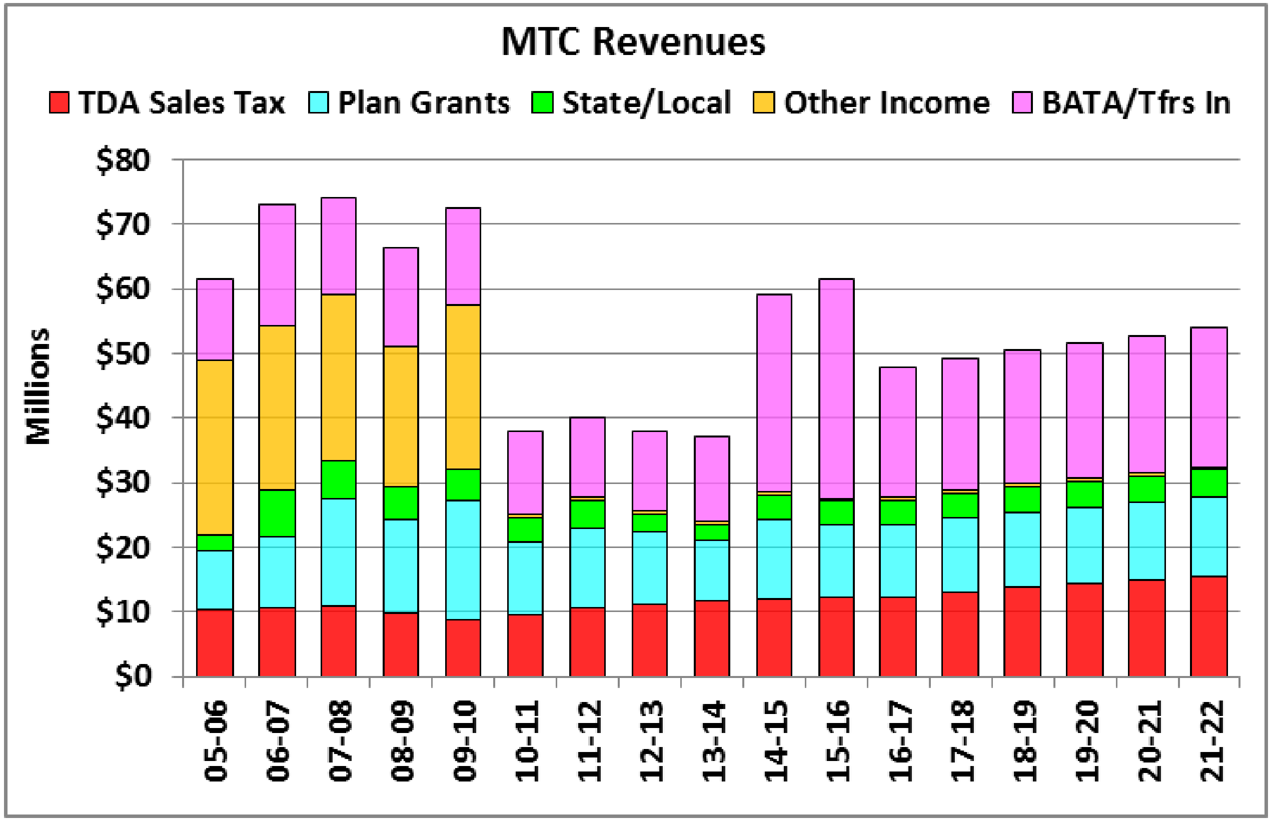
MTC CalPERS Projections (Before Addition to Staff)

Classic Employees:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Normal Cost Rate (ER)	9.97%	10.06%	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Net Pickup of EE share	2.40%	2.27%	1.61%	0.99%	0.39%	0.00%	0.00%	0.00%
Total ER Normal Rate	12.37%	12.32%	12.11%	11.49%	10.89%	10.50%	10.50%	10.50%
PEPRA Employees:								
Total ER Normal Rate	N/A	6.18%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
Unfunded Liability (Mil.):								
CalPERS projection	$1.50	$1.58	$1.82	$1.83	$2.12	$2.45	$2.61	$2.76
Equivalent UAL Rate	7.22%	7.38%	8.25%	8.08%	9.10%	10.21%	10.55%	10.80%
Total Cost as % of Payroll:								
Classic Total Rate	19.58%	19.70%	20.37%	19.57%	19.99%	20.70%	21.04%	21.30%
PEPRA Total Rate	N/A	13.56%	14.75%	14.58%	15.60%	16.71%	17.05%	17.30%

- Net pickup of employee share declines over time under labor agreement
- Shift in payroll from Class to PEPRA over time (assumes 5% per year)
- Unfunded liability costs increase under CalPERS plan
- Rates subject to increase if CalPERS discount rate is reduced

MTC Operating Revenues



- Transportation grants relatively stable but not under agency control
- Sales Tax subject to economic volatility, but base is large (Bay Area)

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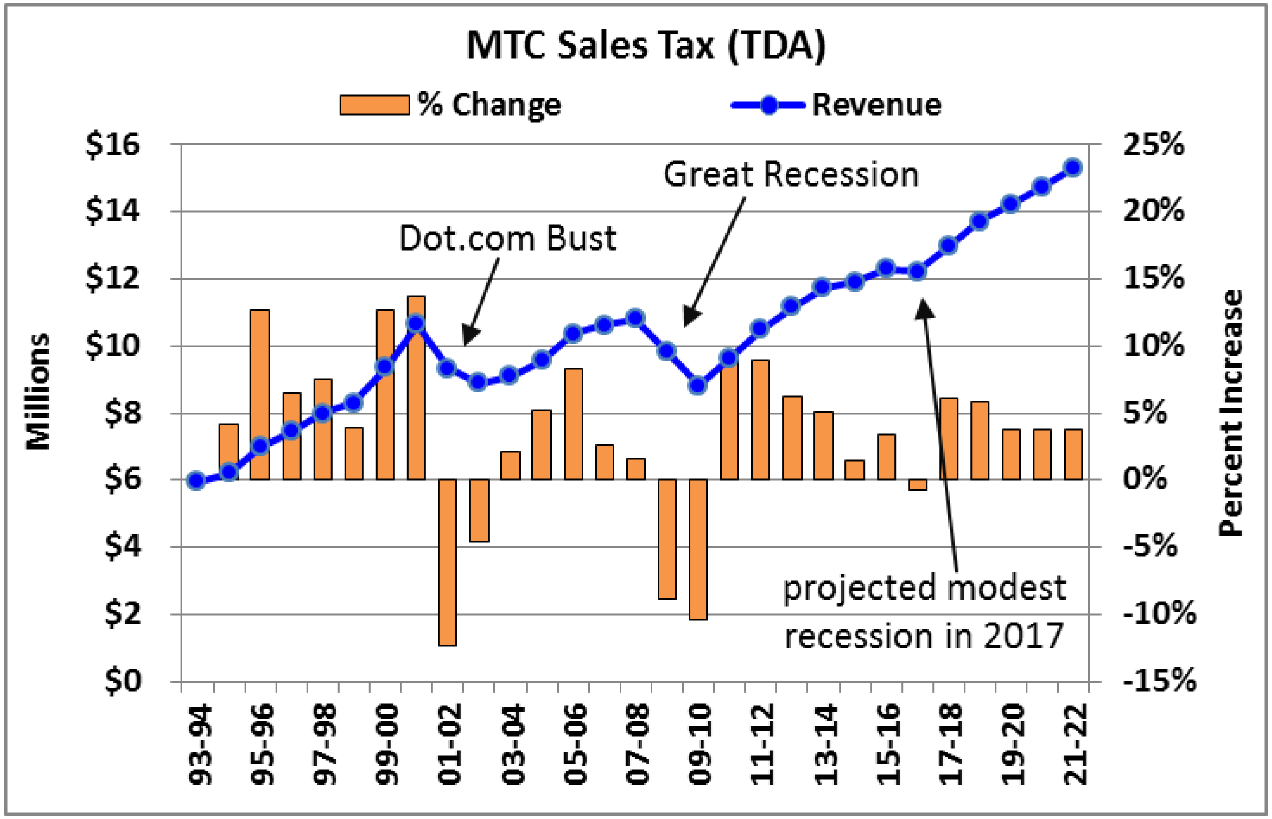
TDA Sales Tax History & Forecast



- TDA is 26% of total O&M revenues
- Tax hit hard during last two recessions, but average annual growth has been 3.6% over last 22 years

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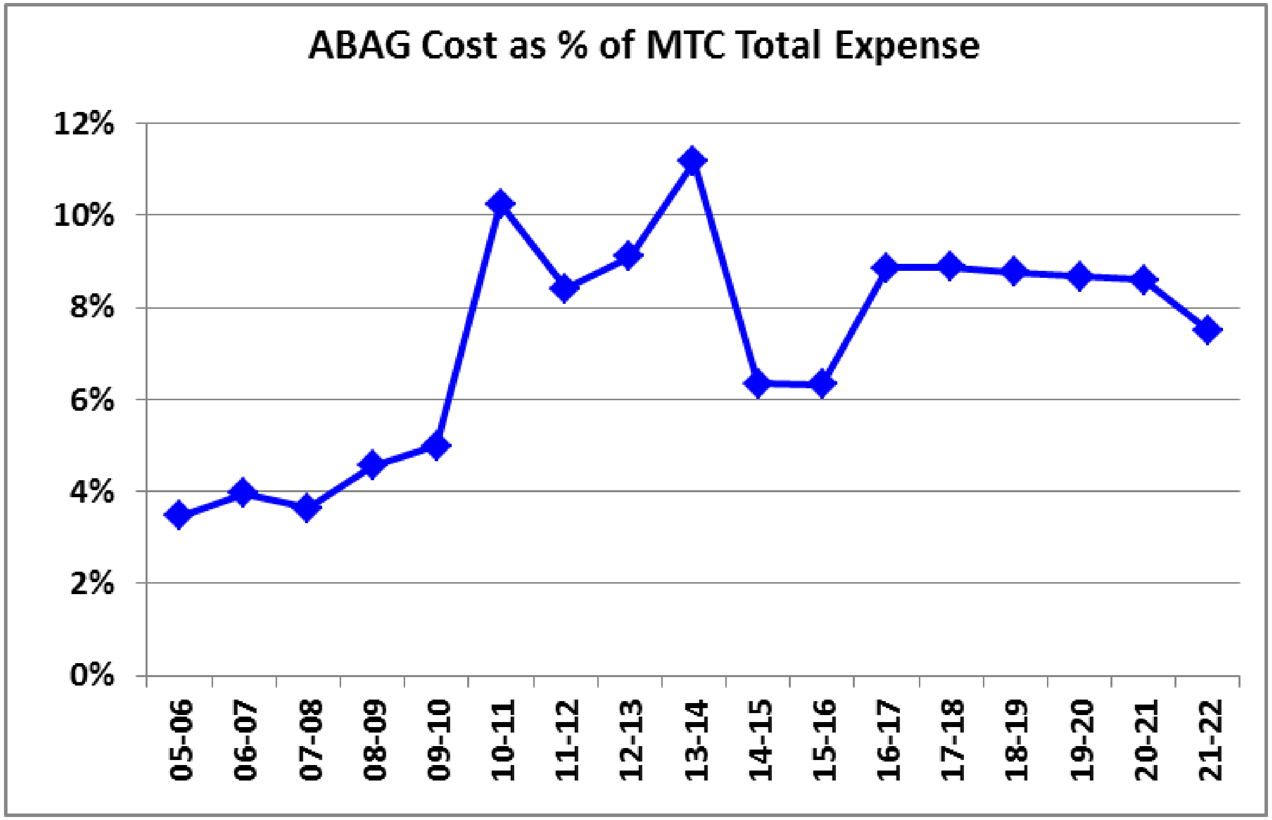
ABAG Cost as % of MTC Total Expense



- ABAG costs (planning & tenant improvements) average around 8% of total MTC expense in recent years

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2014 Funding Framework
MTC Payments to ABAG

($ in millions)

MTC Funding Sources:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
TDA Sales Tax	0.86	0.91	0.93	0.96	0.99	1.02	1.05	1.08
Prop 84 Deficit	-	-	0.66	0.67	0.65	0.62	0.60	0.05
Planning Grants	1.23	1.26	1.29	1.33	1.36	1.39	1.42	1.37
MTC O&M Budget	2.09	2.17	2.88	2.96	3.00	3.04	3.07	2.51
LTD Federal Grants	1.34	1.36	1.47	1.49	1.51	1.54	1.56	1.58
Total MTC	3.43	3.53	4.35	4.46	4.51	4.57	4.63	4.09
Prop 84 Grants	0.64	0.67	-	-	-	-	-	-
Total Sources	4.07	4.19	4.35	4.46	4.51	4.57	4.63	4.09
Funding Framework:	4.09	4.19	4.35	4.46	4.51	4.57	4.63	4.09

- Assumes Framework continues beyond FY 20-21
- Funding sources provided by MTC staff
- Prop 84 deficit: average $640K/year would have to be covered by TDA or planning grants

2014 Funding Framework
MTC Operating Budget Forecast

($ in millions)

Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
TDA Sales Tax	11.90	12.30	12.21	12.96	13.71	14.22	14.76	15.31
Interest/Other	0.53	0.51	0.51	0.49	0.47	0.45	0.43	0.41
Other Planning Grants	12.42	11.09	11.26	11.49	11.72	11.95	12.19	12.44
BATA 1% + Transfers In	30.65	33.84	20.00	20.33	20.66	20.99	21.34	21.69
State/Local Funding	3.60	3.69	3.76	3.84	3.91	3.99	4.07	4.15
LTD Federal Grants	1.34	1.36	1.47	1.49	1.51	1.54	1.56	1.58
Total Revenue	60.44	62.79	49.22	50.59	51.98	53.15	54.35	55.58
Expenses:								
Personnel/Other	22.35	23.14	23.94	24.53	25.31	26.06	26.77	27.49
New Planners (total)	-	-	-	-	-	-	-	-
Contractual-ABAG	3.83	3.98	4.35	4.46	4.51	4.57	4.63	4.09
Contractual-Other	28.99	29.94	16.14	16.46	16.79	17.13	17.47	17.82
Other Expense	5.26	5.73	5.85	5.97	6.09	6.21	6.33	6.46
Total Expense	60.44	62.79	50.28	51.41	52.70	53.97	55.20	55.86
Balance:								
Net Revenue (Expense)	0.01	0.00	(1.06)	(0.83)	(0.72)	(0.82)	(0.85)	(0.28)
Adjustment	2.50	-	-	-	-	-	-	-
Total Restricted Reserves	13.59	16.29	15.00	15.50	16.00	16.50	17.00	17.50
Unrestricted before GASB 68	23.09	20.39	20.62	19.30	18.08	16.76	15.40	14.62
GASB 68 Pension Liability	(16.00)	(15.47)	(14.93)	(14.40)	(13.87)	(13.33)	(12.80)	(12.27)
Unrestricted after GASB 68	7.09	4.92	5.69	4.90	4.21	3.42	2.60	2.36
Total Reserves	36.68	36.68	35.62	34.80	34.08	33.26	32.40	32.12

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MTC Res. 4210
MTC Operating Budget Forecast

($ in millions)

Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
TDA Sales Tax	11.90	12.30	12.21	12.96	13.71	14.22	14.76	15.31
Interest/Other	0.53	0.51	0.51	0.49	0.47	0.45	0.43	0.41
Other Planning Grants	12.42	11.09	11.26	11.49	11.72	11.95	12.19	12.44
BATA 1% + Transfers In	30.65	33.84	20.00	20.33	20.66	20.99	21.34	21.69
State/Local Funding	3.60	3.69	3.76	3.84	3.91	3.99	4.07	4.15
LTD Federal Grants	1.34	1.36	1.47	1.49	1.51	1.54	1.56	-
Total Revenue	60.44	62.79	49.22	50.59	51.98	53.15	54.35	54.00
Expenses:								
Personnel/Other	22.35	23.14	23.94	24.53	25.31	26.06	26.77	27.49
New Planners (total)	-	-	3.58	3.68	3.82	3.95	4.06	4.18
Contractual-ABAG	3.83	3.98	1.75	1.80	1.80	1.80	1.80	-
Contractual-Other	28.99	29.94	16.14	16.46	16.79	17.13	17.47	17.82
Other Expense	5.26	5.73	5.85	5.97	6.09	6.21	6.33	6.46
Total Expense	60.44	62.79	51.26	52.44	53.81	55.14	56.43	55.95
Balance:								
Net Revenue (Expense)	0.01	0.00	(2.04)	(1.85)	(1.83)	(2.00)	(2.09)	(1.96)
Adjustment	2.50	-	-	-	-	-	-	-
Total Restricted Reserves	13.59	16.29	15.00	15.50	16.00	16.50	17.00	17.50
Unrestricted before GASB 68	23.09	20.39	19.64	17.29	14.96	12.47	9.88	7.42
GASB 68 Pension Liability	(16.00)	(15.47)	(14.93)	(14.40)	(13.87)	(13.33)	(12.80)	(12.27)
Unrestricted after GASB 68	7.09	4.92	4.71	2.89	1.09	(0.87)	(2.92)	(4.84)
Total Reserves	36.68	36.68	34.64	32.79	30.96	28.97	26.88	24.92

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MTC Res. 4210
Net Impact on MTC from Planner Shift

	($ in millions)							
Continue Funding Framework	**14-15**	**15-16**	**16-17**	**17-18**	**18-19**	**19-20**	**20-21**	**21-22**
Total Paid to ABAG*	4.07	4.19	4.35	4.46	4.51	4.57	4.63	4.09
Res. 4210 Planner Shift								
Total Paid to ABAG*	4.07	4.19	1.75	1.80	1.80	1.80	1.80	-
Cost of New Planners	-	-	3.58	3.68	3.82	3.95	4.06	4.18
Total	4.07	4.19	5.33	5.48	5.62	5.75	5.86	4.18
Incr (Decr) Under Shift	-	-	0.98	1.03	1.11	1.18	1.23	0.09

*excludes Bay Trails

- Total net increase in cost to MTC of $5.5M for Res. 4210 shift of planners, compared to Framework
- Added costs are primarily over 5-year period of FY 16-17 through FY 20-21
- In FY 21-22 the net increase drops to $90K (assuming Framework would continue beyond FY 20-21)

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ABAG Financial Forecast

Fiscal Impact from Consolidating
Core Planning Functions in MTC

Presentation to Joint Committee
March 25, 2016

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Forecast Objective

- Impartial third-party review
- Determine:
  - Financial condition of both ABAG and MTC with and without shift of 13 planner positions from ABAG to MTC
  - Extent to which there are pre-existing financial pressures
  - Likely fiscal impact from the shift of planners
- No recommendations to address financial issues

Conclusions-2014 Funding Framework Structural Shortfall, But Manageable

- MTC planning revenue of $3.8M in FY16-17 is:
  - 6.5% of $58.2M grand total expense
  - 26.8% of $14.2M personnel and other expense
- Results in manageable, structural shortfall unless corrective action is taken
  - $190K in FY 17-18 growing to $480K in FY 21-22
  - Decline in available fund balance from $1.8M in FY 14-15 to $57K in FY 21-22 (before $11.8M in GASB 68 pension liability)
- Major causes of shortfall:
  - CalPERS annual pension unfunded liability costs increase from $822K in FY 13-14 to $1.7M in FY 21-22
  - Labor costs (including health, OPEB, PERS pickup)

Conclusions-Res. 4210
Shortfall Requires Significant Corrective Actions

- Direct costs and other expense for 13 planners reduced $2.4M
- $1.1M indirect costs on 13 planners must be reallocated
- $230K in pension unfunded liability costs on former planners must be spread across fewer remaining employees
- Accelerated fund balance decline, deficit by FY 19-20
  - Available fund balance falls from $1.8M in FY 14-15 to ($4.0M) in FY 21-22 (before $11.8M in GASB 68 unfunded pension liability)
  - FY 16-17 shortfall of $436K is 3.6% of personnel and other costs (excluding pass-through and consultant costs) rising to $2.2M in FY 21-22 (16.1%) when MTC's transition funding expires

Key ABAG Forecast Assumptions

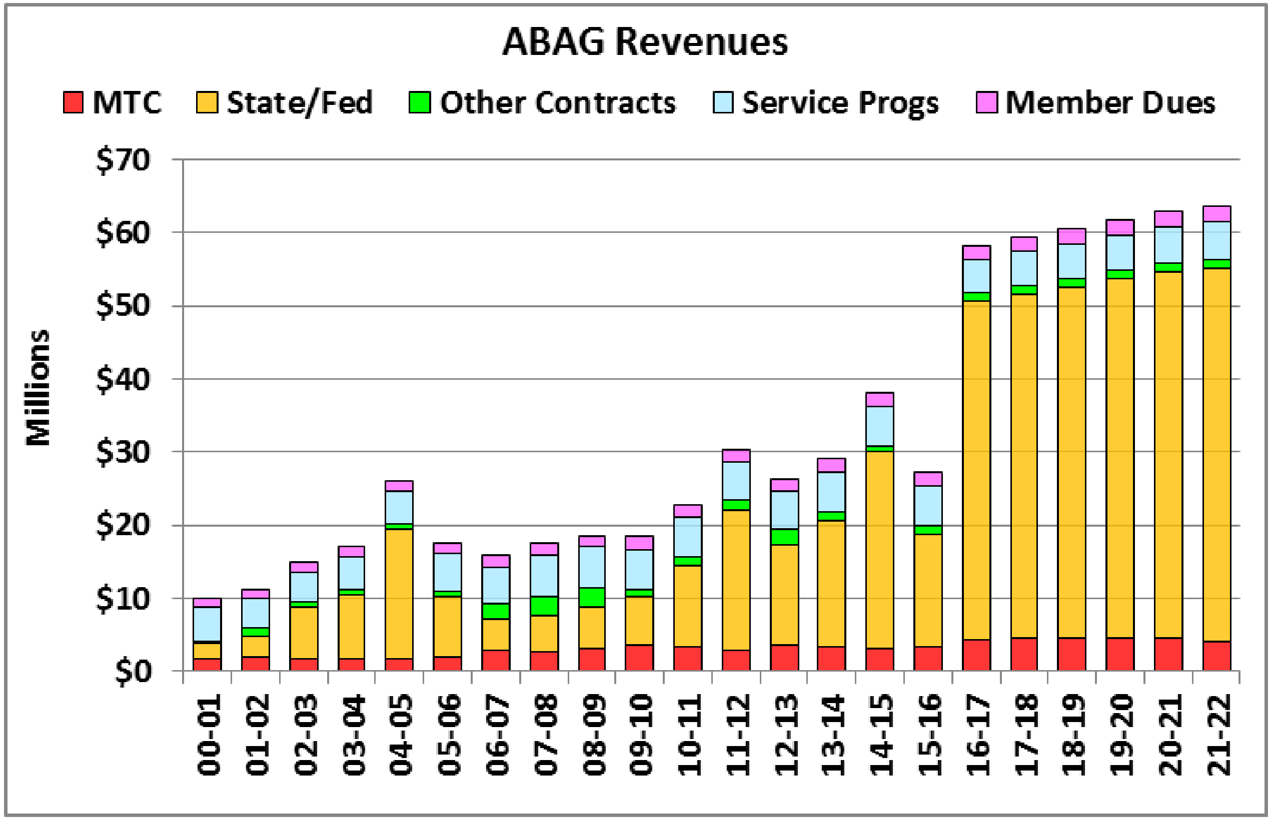
- Maintain current grants with 2% annual growth
- Member dues grow 2% with 100% collection rate
- Salary growth per MOU into 2017; assumes 2% COLA thereafter plus applicable step increases
- Health contribution growth at 8%
- OPEB costs at 14% of payroll
- Other costs increase at 2% annually
- Pension costs per CalPERS 2014 valuation with assumed annual conversion from Classic to PEPRA status equal to 5% of payroll; no change in discount rate

2014 Funding Framework
CalPERS Projections

	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Classic Employees:								
Normal Cost Rate (ER)	8.90%	9.07%	9.50%	9.50%	9.50%	9.50%	9.50%	9.50%
Net Pickup of EE share	7.50%	6.50%	5.50%	5.00%	5.00%	5.00%	5.00%	5.00%
Total ER Normal Rate	16.40%	15.57%	15.00%	14.50%	14.50%	14.50%	14.50%	14.50%
PEPRA Employees:								
Total ER Normal Rate	N/A	6.18%	6.49%	6.60%	6.60%	6.60%	6.60%	6.60%
Unfunded Liability (Mil.):								
CalPERS projection	$0.8	$1.0	$1.2	$1.3	$1.4	$1.5	$1.6	$1.7
Equivalent UAL Rate	14.03%	16.55%	17.68%	18.77%	20.02%	21.35%	21.90%	22.37%
Total Cost as % of Payroll:								
Classic Total Rate	30.42%	32.12%	33.20%	33.27%	34.52%	35.85%	36.40%	36.87%
PEPRA Total Rate	N/A	22.73%	25.10%	25.37%	26.62%	27.95%	28.50%	28.97%

- Net pickup of employee share declines over time under MOU to 5%
- Shift in payroll from Classic to PEPRA over time (assumes 5% per year)
- Unfunded liability costs increase under CalPERS plan
- Rates subject to increase if CalPERS discount rate is reduced
- Employees also pay into Social Security

2014 Funding Framework
ABAG Revenue Structure



- Major growth in state/federal grants (estuary and energy grants); assumes continuation for several years
- Much of these grants are consultant costs and pass-through, but also support various staff

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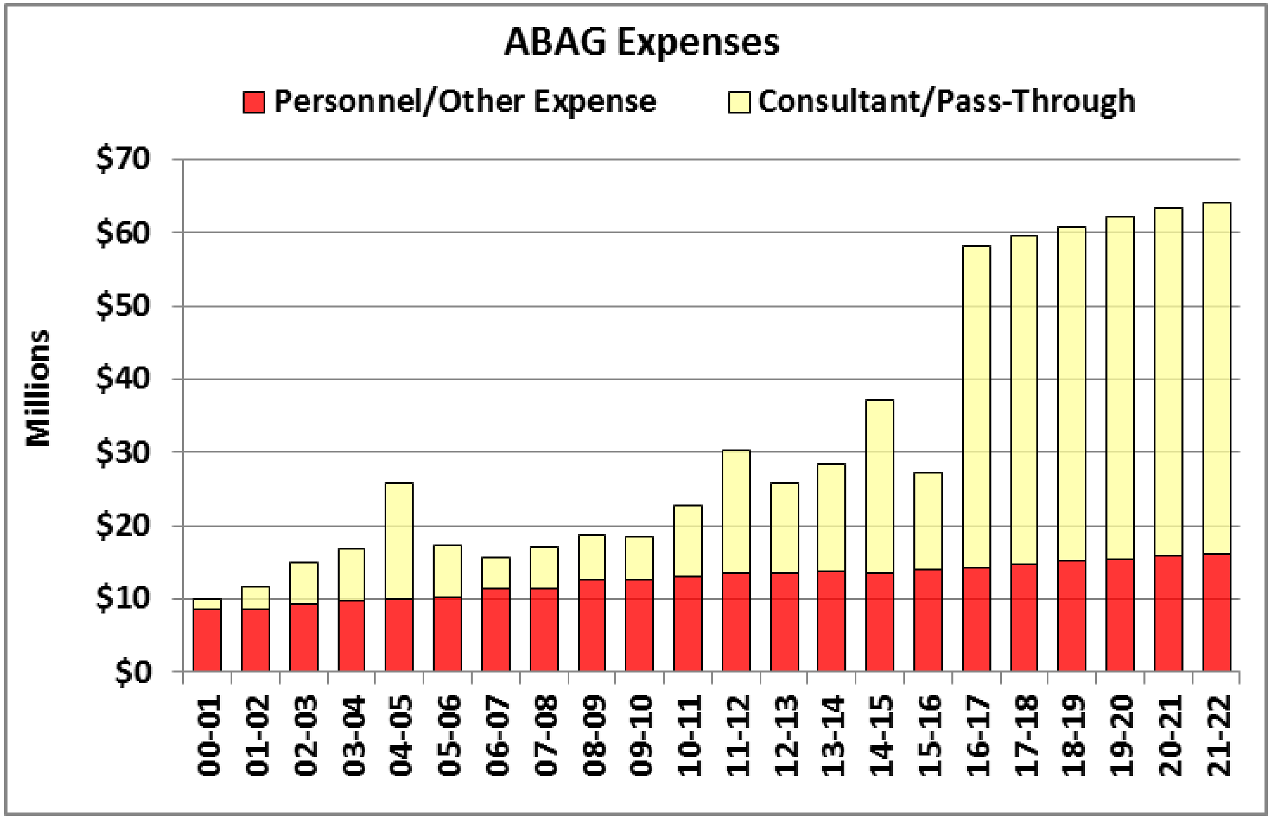
2014 Funding Framework
ABAG Expense Structure



- Steady growth in personnel and other expense (3.4% historical average)
- Volatility in consultant, pass-through and revenue for associated staff support based on nature of grants

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2014 Funding Framework
Total Cost and Funding of ABAG Planning Function

($ in millions)

ABAG Planning Function:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total Planners (22 FTE)	3.36	3.45	3.70	3.82	3.93	4.04	4.13	4.21
Other Costs @4%	0.13	0.14	0.15	0.15	0.16	0.16	0.17	0.17
Subtotal	3.50	3.58	3.85	3.98	4.09	4.20	4.29	4.38
Indirect Costs @44.95%	1.51	1.55	1.66	1.72	1.77	1.82	1.86	1.89
Total	5.01	5.13	5.51	5.69	5.86	6.02	6.15	6.27
Planning Revenue Sources:								
MTC Sources	3.69	3.74	3.80	3.86	3.91	3.97	4.03	4.09
Other Revenue Sources	1.32	1.39	1.72	1.84	1.95	2.05	2.12	2.18
Total Sources	5.01	5.13	5.51	5.69	5.86	6.02	6.15	6.27
MTC Share of Funding	74%	73%	69%	68%	67%	66%	66%	65%

- MTC covers most, but not all, of ABAG planners' costs
- Planners charge time to various projects

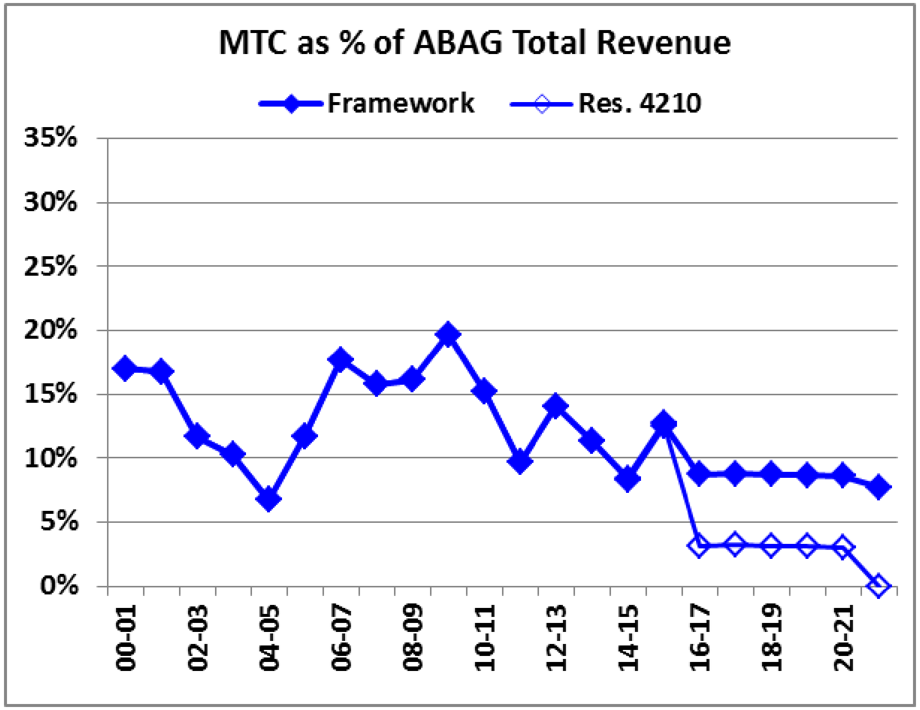
2014 Funding Framework
Manageable Structural Shortfall

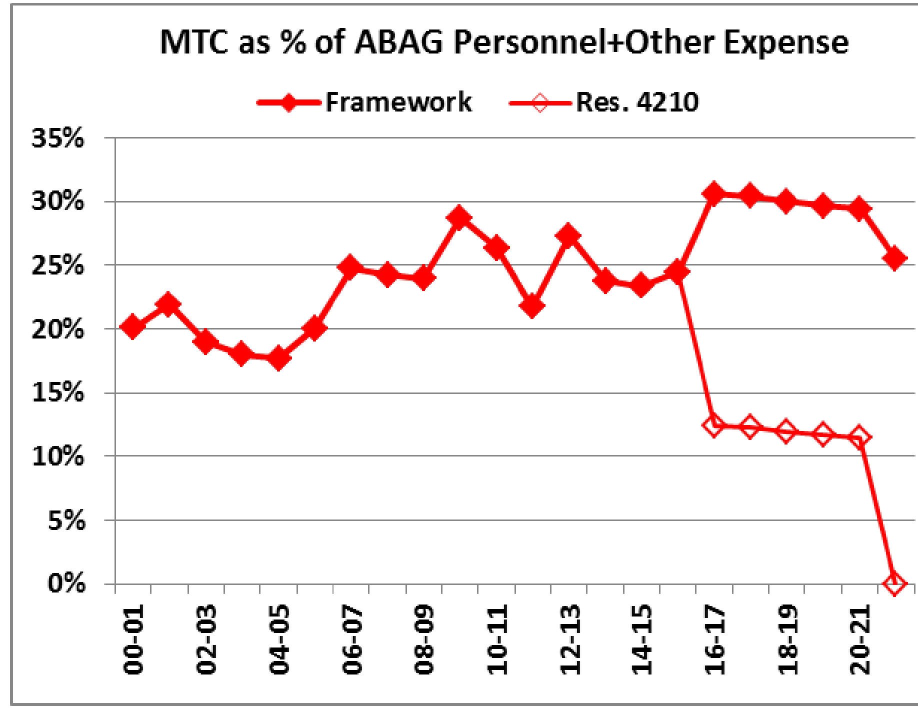
($ in millions)

ABAG Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total MTC Revenues	4.32	4.44	5.07	5.19	5.27	5.34	5.41	4.89
Other Revenues	33.71	22.71	53.15	54.21	55.30	56.40	57.53	58.68
Total	38.03	27.16	58.22	59.40	60.56	61.74	62.94	63.57
ABAG Expenses:								
Planning & Research	5.01	5.13	5.51	5.69	5.86	6.02	6.15	6.27
Other Programs	32.18	21.97	52.71	53.90	55.01	56.13	57.25	57.78
Total	37.19	27.11	58.22	59.59	60.87	62.15	63.39	64.05
Personnel (Direct+Indirect)	11.37	11.59	11.83	12.24	12.58	12.91	13.18	13.44
Consultant Services	14.16	10.78	28.25	28.81	29.39	29.97	30.57	31.18
Pass-Through	9.48	2.45	15.76	16.12	16.43	16.74	17.07	16.79
Other Expense	2.17	2.29	2.38	2.43	2.48	2.53	2.58	2.63
Total	37.19	27.11	58.22	59.59	60.87	62.15	63.39	64.05
ABAG Balance:								
Net Revenue (Expense)	0.85	0.05	-	(0.19)	(0.31)	(0.41)	(0.45)	(0.48)
Available Fund Balance	1.84	1.89	1.89	1.71	1.40	0.99	0.54	0.06
GASB 68 Pension Liability	(11.83)	(11.43)	(11.04)	(10.65)	(10.25)	(9.86)	(9.46)	(9.07)
Avail Balance After GASB 68	(9.98)	(9.54)	(9.15)	(8.94)	(8.85)	(8.87)	(8.93)	(9.01)

- GASB 68 does not affect cash; reflects present value of unfunded pension liability; assumes liability amortized over 30 years

MTC Res. 4210
MTC Budget Impact: Two Views





- MTC revenues for planning and tenant improvements, excludes Bay Trails
- Equals 9% of total ABAG revenues (including consultant and pass-through)
- Equals 30% of ABAG personnel and other expense (areas where cuts would have to occur)

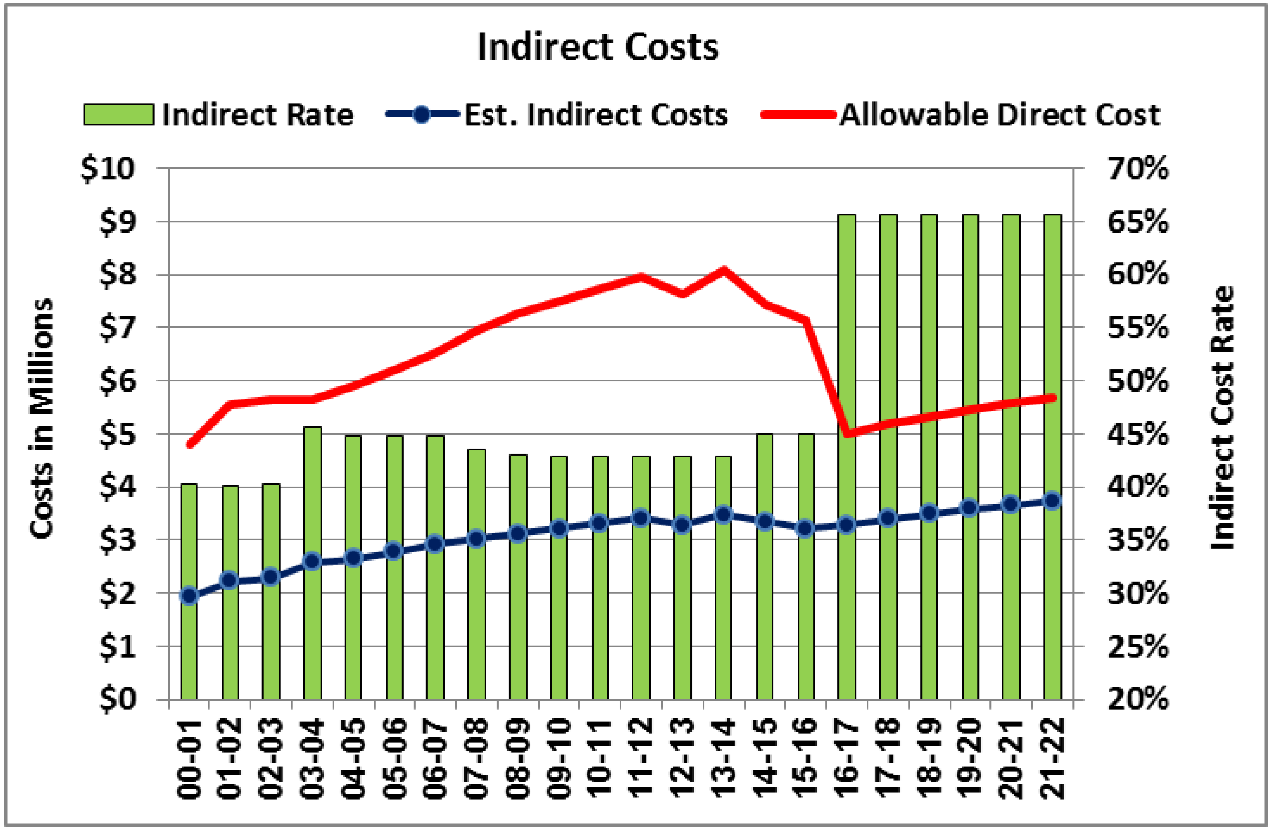
Item 7, Attachment C

MTC Res. 4210
Impact of Planner Shift

($ in millions)								
ABAG Planning Function:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Planners Shifted (13 FTE)	2.09	2.14	-	-	-	-	-	-
Other Planners (9 FTE)	1.27	1.30	1.40	1.46	1.51	1.56	1.59	1.62
Total Personnel	3.36	3.45	1.40	1.46	1.51	1.56	1.59	1.62
Other Costs @4%	0.13	0.14	0.06	0.06	0.06	0.06	0.06	0.06
Total Direct Costs	3.50	3.58	1.46	1.52	1.57	1.62	1.66	1.69
Indirect Costs @44.95%	1.51	1.55	1.66	1.72	1.77	1.82	1.86	1.89
Pension Unfunded Liability	-	-	0.23	0.25	0.27	0.30	0.31	0.32
Total	5.01	5.13	3.35	3.49	3.61	3.73	3.82	3.91
Planning Revenue Sources:								
MTC Sources *(revised)*	3.69	3.74	1.20	1.20	1.20	1.20	1.20	-
Other Sources *(unchanged)*	1.32	1.39	1.72	1.84	1.95	2.05	2.12	2.18
Total Sources	5.01	5.13	2.92	3.04	3.15	3.25	3.32	2.18
Net Revenue (Expense)	-	-	(0.44)	(0.45)	(0.46)	(0.48)	(0.50)	(1.73)

- 9 planners proposed to remain with ABAG; consolidates most, but not all of the planning functions within the two agencies
- After transition funding there remains a net shortfall (in addition to the pre-existing structural shortfall)

MTC Res. 4210
Impacts on Indirect Cost Rate



- Many grants locked in to current indirect rate and can't be changed
- Imposing higher rate may make ABAG non-competitive for grants
- Planner positions and admin staff service grants and service programs

Item 7, Attachment C

MTC Res. 4210

Balance Decline Accelerates, Deficit in 4 Years

($ in millions)

ABAG Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total MTC Revenues	4.32	4.44	2.47	2.54	2.55	2.57	2.58	0.80
Other Revenues	33.71	22.71	53.15	54.21	55.30	56.40	57.53	58.68
Total	38.03	27.16	55.62	56.75	57.85	58.97	60.11	59.48
ABAG Expenses:								
Planning & Research	5.01	5.13	3.35	3.49	3.61	3.73	3.82	3.91
Other Programs	32.18	21.97	52.71	53.90	55.01	56.13	57.25	57.78
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Personnel (Direct+Indirect)	11.37	11.59	9.76	10.12	10.43	10.72	10.95	11.18
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Pass-Through	9.48	2.45	15.76	16.12	16.43	16.74	17.07	16.79
Other Expense	2.17	2.29	2.29	2.33	2.38	2.43	2.48	2.52
Total	37.19	27.11	56.06	57.38	58.62	59.87	61.07	61.68
ABAG Balance:								
Net Revenue (Expense)	0.85	0.05	(0.44)	(0.63)	(0.77)	(0.90)	(0.95)	(2.20)
Available Fund Balance	1.84	1.89	1.46	0.82	0.05	(0.84)	(1.80)	(4.00)
GASB 68 Pension Liability	(11.83)	(11.43)	(11.04)	(10.65)	(10.25)	(9.86)	(9.46)	(9.07)
Avail Balance After GASB 68	(9.98)	(9.54)	(9.58)	(9.82)	(10.20)	(10.70)	(11.26)	(13.07)

- GASB 68 does not affect cash; reflects present value of unfunded pension liability; assumes liability amortized over 30 years

Item 7, Attachment C

MTC Res. 4210
Shortfall as % of Personnel and Other Costs

($ in millions)

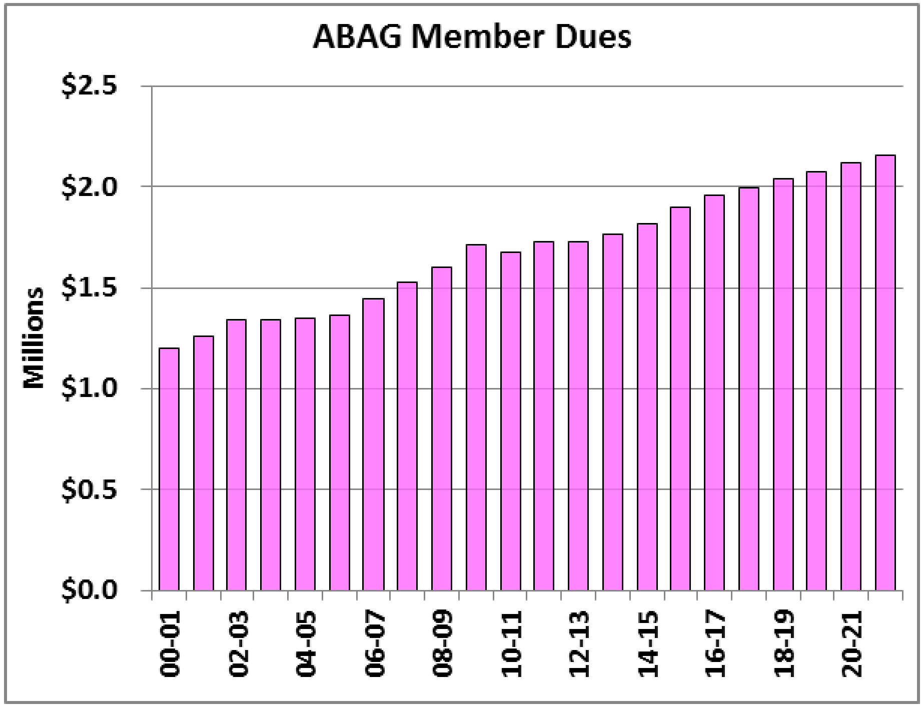
Shortfall Impact:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total Expense	37.19	27.11	56.06	57.38	58.62	59.87	61.07	61.68
less: Consultant+Pass-Thru	23.65	13.23	44.01	44.93	45.81	46.72	47.64	47.98
Personnel+Other Cost	13.54	13.88	12.05	12.46	12.81	13.15	13.43	13.70
Net Revenue (Expense)	0.85	0.05	(0.44)	(0.63)	(0.77)	(0.90)	(0.95)	(2.20)
% of Personnel+Other	6.2%	0.4%	-3.6%	-5.1%	-6.0%	-6.8%	-7.1%	-16.1%

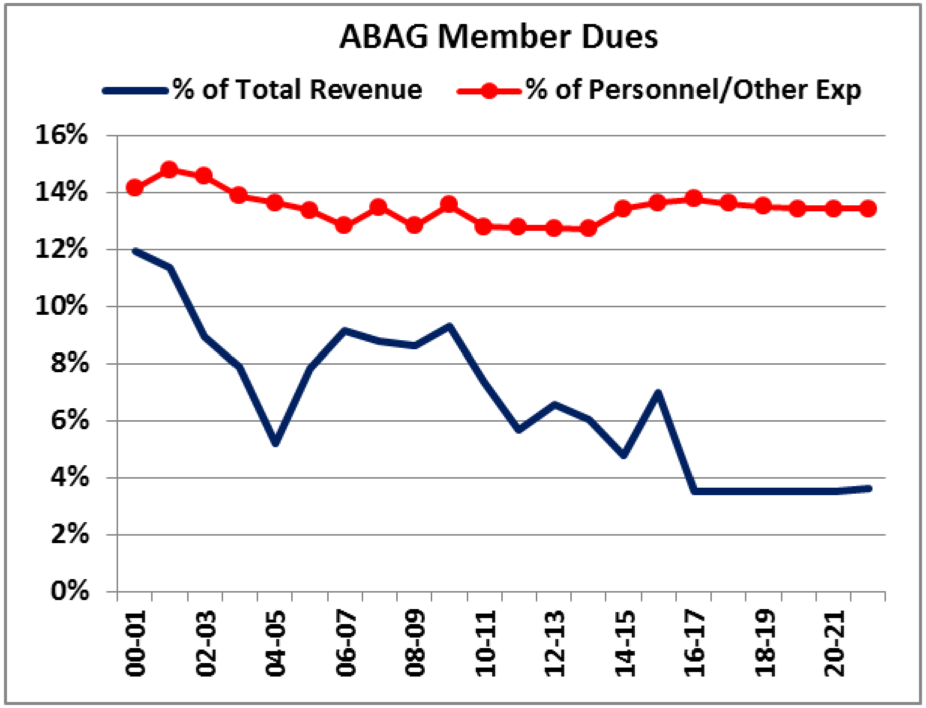
- In FY 16-17 net shortfall represents 3.6% of personnel/other costs
- Impact increases over time due to structural shortfall
- Starting FY 21-22, loss rises to 16.1% of personnel/other costs, with end of $1.2M transition funding

MTC Res. 4210
Factors That May Exacerbate Impact

- Questions about viability by financial markets, grantors
  - Risk of loss of line of credit / cash flow risk
    - $2M with bank since 2009, but never drawn upon; expires 6/30/16, bank reluctant to extend for longer at this time
  - Risk of loss or reduction in grants (some grantors have already expressed concerns) or adverse impact on obtaining new grants
  - Risk that service programs may affiliate with another agency should ABAG increase indirect cost rate or reduce admin staff
- Perceptions of value by membership
  - Risk of dues collection rate dropping if members feel ABAG no longer provides adequate value if planning authority and services are significantly reduced

MTC Res. 4210
Relative Importance of Dues





- Current dues plan increases rates annually by CPI
- Revising plan would require vote of ABAG Assembly (majority of a majority of 110 members voting)
- Dues lower as % of total revenues, but steady at 13% of personnel/ other expense

Item 7, Attachment C

Altering Fiscal Outcome Requires Some Combination of the Following Actions

- Maintain and secure additional grants to make up for loss in MTC funds (allows shift in existing overhead formerly allocated to MTC)
  - Requires at least $2.6M in new grants that are primarily personnel costs; financial vulnerability may hurt competitiveness; can't control
- Cut overhead costs (to reduce overhead rate)
  - Requires $1M cut in current $3.2M overhead to retain current indirect rate of 44.95%, given direct costs remaining after shift of 13 planners
- Dues increase (generate more net revenue)
  - Requires 22% increase to generate $440K added net revenue (membership perceptions of value, collection rate are issues)
- Eliminate net pickup of PERS costs (to reduce overall costs)
  - Requires labor negotiations; remaining 5% pickup on $5.33M salaries after planner shift yields $266K of savings
- New actuarial study may justify lower OPEB contribution rate
  - Potential savings of $50-100K from proposed FY 16-17 budget

Item 7, Attachment C