ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

MEMO

Date: July 2, 2015

To: ABAG Executive Board

From: Julie Pierce, ABAG President, Clayton Councilmember
Ezra Rapport, ABAG Executive Director

Subject: ABAG Budget Discussion at 6/24/15 MTC Commission Meeting

Executive Summary

The purpose of this memo is to provide the context for a thoughtful discussion of a proposal by MTC to transfer ABAG's Planning and Research Department to MTC. We begin this discussion by describing ABAG's history and statutory land use responsibilities and the current process of collaboration across the two agencies. We believe most of the problems that occurred during the first Plan Bay Area have been identified and successfully addressed by ABAG and MTC staff. This memo then also addresses the financial implications such a transfer would have on ABAG, and the Executive Board's authority with respect to the land use, housing, economic and resilience work that we do on behalf of the Bay Area cities, towns and counties.

On Wednesday, June 24, MTC Commissioners discussed ABAG' s FY 15-16 Funding Agreement and adopted only a six-month budget for ABAG, ending December 31, 2015, instead of the annual budget referenced in our multi-year inter-agency agreement. While other issues were raised at the meeting[1], ABAG's primary concern is that the six month budget is being discussed in the context of transferring the ABAG Planning and Research department to MTC.

If MTC effectively transfers the ABAG Planning and Research department to MTC, regional land use planning decisions related to Plan Bay Area will, accordingly, be removed from the ABAG Executive Board. The statutory framework between the two agencies is well established. Under State law, ABAG is responsible for regional land use and housing planning, and MTC is responsible for comprehensive regional transportation planning. To effectuate such a transfer, (1) the ABAG Executive Board would have to voluntarily cede land use responsibility to MTC or (2) state statutes governing regional land use planning and transportation planning would have to be amended by the Legislature.

Land use planning and transportation planning are complementary functions. ABAG's planning process incorporates collaboration with local governments, who have land use authority in California. MTC works with transit agencies and congestion management agencies to develop a transportation network. The two sets of responsibilities are complex in the Bay Area, but, in our opinion, the staff collaboration within the two agencies is working well.

[1] MTC conditioned its six-month funding proposal on correcting several alleged audit issues that have now been referred to ABAG's Finance and Personnel Committee

ABAG is committed to engaging with MTC's staff and Commissioners in a forthright and thorough discussion as to how land use and transportation planning should take place in the Bay Area and how we can improve collaboration, efficiency and outcomes moving forward.

This discussion, however, should not be inhibited by a budget deadline, as thoughtful conversation on this subject will likely take longer than six months. With that in mind, staff and I recommend that the following actions be taken to strengthen the ABAG-MTC collaboration in producing Plan Bay Area while addressing this new issue of whether to transfer ABAG's land use planning authority and staff to MTC:

- Appropriate the full year's budget for ABAG while working through any issues related to financial accounting, better collaboration, and structure.
- Create a small committee of ABAG and MTC elected officials to discuss any issues that may arise in terms of work program, collaboration, structure, budget, or financial accounting.

To provide context for the proposal to transfer ABAG's Planning and Research Department to MTC, the sections below describe ABAG's statutory responsibilities and the current process of collaboration across the two agencies.

1. What are ABAG statutory responsibilities and specific responsibilities under SB 375?

All Councils of Government (COGs) are responsible for land use planning and coordination with local governments in California. With the exception of the San Francisco Bay Area, all COGs also house the Metropolitan Planning Organization responsible for transportation investments. The State legislative framework clearly delineates the respective roles of ABAG and MTC. MTC is the regional transportation agency, and ABAG is the regional land use and housing agency. ABAG's land use planning work is governed by ABAG's Executive Board. The independence of ABAG as a Council of Governments with statutory responsibility for land use planning and housing allocation provides many advantages in our engagement with local jurisdictions and dealing with the diversity of our region.

Despite these clear roles and responsibilities, there are no statutory provisions requiring how MTC shall fund ABAG, although in ABAG's view, the commitment has been long-term and left to fair dealing between the parties. Currently, regional land use planning of the type undertaken by ABAG is considered a Transportation Demand Management tool, (TDM) and is an eligible use of certain categories of State and Federal funding controlled by MTC under SB 45. In 2012, ABAG and MTC agreed on a 'funding formula' with a specific budget that fairly reflects the work being performed by ABAG to develop Plan Bay Area (SB 375) and carry out its implementation.

ABAG's responsibilities under SB 375, passed by the Legislature in 2008, are detailed and specific. The legislation mandates that the Bay Area, as well as other regions throughout the State, produce an integrated land use and transportation plan such as Plan Bay Area. SB 375, recognized ABAG's role with respect to land use, and specifically enumerated ABAG's and MTC's tasks for carrying out SB 375. Plan Bay Area must be approved by both agencies and it is a required component of the Regional Transportation Plan. The funding formula unanimously adopted by MTC in September 2012, and unanimously affirmed each fiscal year since, provides ABAG with a multiple year budget to do its work. (see attachment A). The funding formula was based on an analysis of ABAG planning staff, functions, and duties.

To effectuate the transfer of ABAG's Planning and Research Department to MTC discussed at the Commission in June 2015, (1) the ABAG Executive Board would have to voluntarily cede land use responsibility to MTC or (2) state statutes governing regional land use planning and transportation planning would have to be amended by the Legislature. Attachment B provides specific details on ABAG's statutory responsibilities.

2. How are ABAG and MTC collaborating in the 2017 update of Plan Bay Area?

Following the approval of Plan Bay Area 2013, ABAG and MTC staff debriefed to discuss how the collaboration between the two agencies could be improved. Plan Bay Area 2013 had its share of interagency problems, and the two staffs, in recognition of these issues, worked together to design a far better process. Several lessons learned were gathered through small interagency staff meetings as well as meetings with our boards, local staff, ABAG delegates and stakeholders.

The new collaborative design led to a joint Plan Bay Area 2040 work program and schedule created by ABAG and MTC planning staff. The work program is operationalized through regular staff meetings and collaboration areas. This approach takes into account the complexity of two distinct processes-- allocation of transportation investments and coordination of local land use plans-- both of which required very different levels of engagement with local partners. (See Attached C: ABAG and MTC Work Program, Schedule and Structure of Collaboration for Plan Bay Area 2040)

ABAG and MTC staff have joint teams to work on specific tasks such as Priority Development Area implementation, performance targets and research and modeling. Those specific tasks are guided by the planning directors in both agencies, who meet weekly. Key decisions and board agendas are brought to monthly executive director meetings to ensure proper coordination. If and when both agencies disagree, both executive directors propose the framing of the issue for resolution at the joint meetings of the ABAG Administrative and MTC Planning Committees. In addition, both planning directors are responsible for the Regional Advisory Working Group.

Collaboration across regional agencies is essential and ABAG staff is committed to explore any additional productive ways to engage our MTC colleagues and address their concerns.

3. How are the issues raised by the MTC Commission related to ABAG's budget?

During the meeting on Wednesday, June 24, the MTC Commission adopted a six month budget for ABAG, ending December 31, 2015, instead of the annual budget stipulated in the current funding formula and the interagency agreement. MTC's Executive Director, provided assurances that there was sufficient funding within the MTC budget to cover 12 months. The action was opposed by Commissioners Pierce and Haggerty, who argued that MTC should approve a full year's budget for ABAG, with a discussion and re-opener at the end of six months if necessary. The six-month budget is a policy change for MTC who last year re-approved the funding formula. (See attachment A).

The six-month budget proposal was introduced as an effort to address what some MTC staff and Commissioners have referred to as a "dysfunctional" planning process and efforts to increase collaboration and efficiencies between ABAG and MTC planning departments in the update of Plan Bay Area by transferring the ABAG Planning and Research Departments to MTC. ABAG does not accept the premises that the two planning departments are in conflict or dysfunctional, or that the proposed transfer increases efficiency.

Based on preliminary conversations among staff and board members from both agencies, the MTC Planning department is said to be demoralized as a result of the complex structure across the two agencies and what is referred to as an inefficient collaboration with ABAG.. (see attachment D, a full transcript of the MTC meeting).

This proposal is not new. Most recently, merger proposals between ABAG and MTC were debated both regionally and in the Legislature in 2002 through 2004. The conclusion, following a period of controversial debate, was to retain the structure as is, and create a joint advisory committee consisting of Board members from both ABAG and MTC to support an orderly dialogue among elected officials from both agencies. This advisory committee morphed into the Joint Policy Committee, which includes the BAAQMD (Air District) and BCDC, more recently renamed as the Bay Area Regional Collaborative.

4. What would be the implications of transferring ABAG's Planning and Research Department to MTC?

The transfer of the Planning and Research Department to MTC would severely undermine the integrity of ABAG as a regional agency and require MTC to take on some or all of those responsibilities:

Land use decisions
The process of collaboration with local jurisdictions on land use issues relies on close coordination with the ABAG Executive Board. ABAG Planning staff works very closely with local planning staff and planning directors. In addition, the discussion and decisions at the ABAG Regional Planning Committee and Executive Board are essential to develop consensus among the diverse cities, towns and counties across the region. The engagement of the ABAG Delegates has also been instrumental in implementing Plan Bay Area in particular. The Regional Housing Need Allocation is a complex process that cannot be detached from other land use planning activities such as the SCS, as proposed by MTC staff, and requires ABAG Executive Board approval.

Eliminating the Executive Board from governance with respect to land use planning and the Regional Housing Needs Assessment (RHNA) process will seriously jeopardize the progress made to date regarding ABAG's respect for local control of land use authority while advocating for regional objectives. We do not believe the MTC is positioned to address this issue, nor would it be credible or advisable to diminish the Executive Board's role by placing it merely in an advisory role.

Financial Implications
The financial implications of transferring the Planning Department to MTC is a complicated topic related to ABAG's business model. If the proposed transfer occurs, more work will be needed to sort out the various impacts to ABAG and the region, some of which may be severe. The following is a partial list:

- ABAG membership dues are generated, in part, because of ABAG's Executive Board governance of regional land use issues, a very important subject for cities and counties.
- ABAG charges indirect overhead to all salaries to generate the administrative capacity to service its enterprise units.
- ABAG employees are supported by an administrative organization that supports the successful application of tens of millions of grant dollars for the region every year; including environmental grants in the areas of clean water, drought relief, energy efficiency and regional resilience, among others. These grant proposals are supported by the entire ABAG organization.

Overall, millions of dollars are placed at risk from the proposal to transfer regional land use planning to MTC. Whatever gains may be achieved in efficiency, or unilateral management, must be measured against the total cost associated with the transfer of only one part of ABAG.

Implications for Employees
The ABAG Planning and Research Department staff has a strong commitment to supporting good and healthy communities and work for ABAG because they believe in the work that we do on behalf of cities, counties and the region. A change to MTC and its governing board would create substantial staff instability.

ABAG works with union labor while MTC does not. The transfer of ABAG employees would involve substantial labor complications for both agencies.

Timing
The six month budget uncertainty is being floated at a time when ABAG must generate alternative land use scenarios for Plan Bay Area, prepare to move to a new building in a new city, and manage multiple audits. The proposal adds new tasks and stress during a difficult time. The timing of these proposed actions could compromise the schedule of Plan Bay Area.

5. How can we strengthen the ABAG-MTC collaboration in the production of Plan Bay Area?

Staff recommends the following actions to remedy the uncertainty caused by MTC's public discussion associated with granting ABAG only a six month budget:

- Appropriation of full year's budget for ABAG while working through any issues related to financial accounting, better collaboration, or MTC staff morale.
- Create a small committee of ABAG and MTC elected officials to discuss any issues that may arise between them in terms of work program collaboration, budget, or financial accounting.

ATTACHMENT A

METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TTY/TDD 510.817.5769
FAX 510.817.5848
EMAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Adrienne J. Tissier, Chair
San Mateo County

Amy Rein Worth, Vice Chair
Cities of Contra Costa County

Tom Azumbrado
U.S. Department of Housing and Urban Development

Tom Bates
Cities of Alameda County

David Campos
City and County of San Francisco

Dave Cortese
Santa Clara County

Bill Dodd
Napa County and Cities

Dorene M. Giacopini
U.S. Department of Transportation

Federal D. Glover
Contra Costa County

Mark Green
Association of Bay Area Governments

Scott Haggerty
Alameda County

Anne W. Halsted
San Francisco Bay Conservation and Development Commission

Steve Kinsey
Marin County and Cities

Sam Liccardo
Cities of Santa Clara County

Jake Mackenzie
Sonoma County and Cities

Kevin Mullin
Cities of San Mateo County

Bijan Sartipi
State Business, Transportation and Housing Agency

James P. Spering
Solano County and Cities

Scott Wiener
San Francisco Mayor's Appointee

Steve Heminger
Executive Director

Ann Flemer
Deputy Executive Director, Policy

Andrew B. Fremier
Deputy Executive Director, Operations

September 28, 2012

The Honorable Mark Luce
Board President
Association of Bay Area Governments
101 Eighth Street
Oakland, California 94607

Dear President Luce:

Pursuant to the Association of Bay Area Governments' (ABAG) request that the Commission consider a new approach to funding joint planning activities, and based on our previous discussions on this subject, the Commission approved the following framework at its meeting on September 26, 2012.

- The funding agreement would cover a four-year period beginning FY 2013-14 through
  FY 2016-17 and would replace the current annual formula calculation with a specific dollar amount per year.

- The framework includes a mechanism and funding for ABAG to contribute to the cost of tenant improvements to new office space in the event ABAG decides to relocate its offices to the new Regional Headquarters Facility.

- Per the meetings of ABAG Board and Commission members, the proposed funding amounts are calculated using an FY 2012-13 estimate of ABAG's research and planning services expenses of $3,700,000 as the base, escalated at 1.5% per year, plus funding sufficient for ABAG to contribute to the cost of tenant improvements as noted above.

- Per these assumptions, the annual amount of funds to be made available to ABAG are as follows:

FY 2013-14	$4,105,000
FY 2014-15	$4,162,000
FY 2015-16	$4,219,000
FY 2016-17	$4,277,000

- The funding sources for the agreement would include the final round of Prop. 84 funds in FY 2013-14 as well as any new state planning funds made available to the region to support research, planning and implementation activities per the requirements by SB 375 and Plan Bay Area. MTC and ABAG will advocate for the continuation of state planning funds to support these activities.

- The framework would allow unspent funds to carry over into ensuing years' agreements for expenditure by ABAG in subsequent fiscal years, thereby providing budget capacity over the course of the four-year agreement to meet anticipated agency expenses.

- The MTC Administration Committee would authorize the execution of each year's agreement, per the funding amounts above, in order to confirm the scope of work for research and planning activities to be carried out by ABAG in exchange for the funding received.

- ABAG and MTC will explore in earnest ways to reduce costs related to duplicate functions.

This framework is being forward to ABAG for your consideration as the basis for the MTC/ABAG funding agreements beginning in FY 2013-14. Please feel free to contact Ann Flemer, Deputy Executive Director, Policy at 510-817-5820 if you have any questions.

Sincerely,

Adrienne J. Tissier
Chair

J:\SECTION\EXEC\AnnFlemer\ABAG-MTC Agreement\L-MarkLuce-9.26.2012.docx

METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Commission

DATE: September 19, 2012

FR: Executive Director

RE: Funding Agreement Framework for MTC/ABAG Joint Planning Activities

The Association of Bay Area Governments (ABAG) has requested the Commission to consider a new approach to funding joint planning activities that would provide ABAG a more predictable basis for their annual budgeting. Members of the ABAG Board and Commission met twice to discuss an approach to a multi-year funding agreement and a baseline calculation of ABAG's expenses that would be covered by this agreement. Based on those meetings and continuing conversations between board members of both agencies, staff is recommending a framework for your approval.

Background

The current MTC/ABAG funding agreement for ABAG's research and planning activities is based on a formula allocation of a percentage of the federal and TDA planning funds that MTC receives each year. This formula has been in existence since FY 1993-94. In addition to these funds, MTC provides ABAG a percentage of regional planning funds per the One Bay Area Grant (OBAG) formula allocation, and funding for ABAG staff support to the Station Area Planning program, now re-named the PDA Planning program.

In addition to the above, in both FY 2011-12 and FY 2012-13, the region received a $1,000,000 grant from the state's Strategic Growth Council Sustainable Communities Planning Grant program per Proposition 84. MTC and ABAG have shared these funds to cover costs associated with implementing the joint planning requirements of SB 375. The final round of grant funding under this program will occur in FY 2013-14. While we are advocating for the continuation of state funding support after that date, the loss of these funds would have a significant impact on ABAG's ability to fund its research and planning functions.

Proposed Framework

- The agreement would cover a four-year period beginning FY 2013-14 through FY 2016-17 and would replace the current annual formula calculation with a specific dollar amount per year.
- The framework includes a mechanism and funding for ABAG to contribute to the cost of tenant improvements to new office space in the event ABAG decides to relocate its

offices to the new Regional Headquarters Facility.

- Per the meetings of ABAG Board and Commission members noted above, the proposed funding amounts are calculated using an FY 2012-13 estimate of ABAG's research and planning services expenses of $3,700,000 as the base, escalated at 1.5% per year, plus funding sufficient for ABAG to contribute to the cost of tenant improvements as noted above.

- Per these assumptions, the annual amount of funds to be made available to ABAG would be as follows:

FY 2013-14	$4,105,000
FY 2014-15	$4,162,000
FY 2015-16	$4,219,000
FY 2016-17	$4,277,000

- The funding sources for the agreement would include the final round of Prop. 84 funds in FY 2013-14 as well as any new state planning funds made available to the region to support research, planning and implementation activities per the requirements by SB 375 and Plan Bay Area. MTC and ABAG will advocate for the continuation of state planning funds to support these activities.

- The framework would allow unspent funds to carry over into ensuing years' agreements for expenditure by ABAG in subsequent fiscal years, thereby providing budget capacity over the course of the four-year agreement to meet anticipated agency expenses.

- The MTC Administration Committee would authorize the execution of each year's agreement, per the funding amounts above, in order to confirm the scope of work for research and planning activities to be carried out by ABAG in exchange for the funding received.

- ABAG and MTC will explore in earnest ways to reduce costs related to duplicate functions.

Staff seeks the Commission's approval of this framework and authorization to forward it to ABAG for consideration as the basis for the MTC/ABAG funding agreements beginning in FY 2013-14.

Steve Heminger

J:\COMMITTE\Commission\2012\09_September_2012\ABAGFundingFramework.doc

METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Commission

DATE: February 20, 2013

FR: Deputy Executive Director, Policy

RE: Revised Funding Agreement Framework for MTC/ABAG Joint Planning Activities

The Administration Committee is forwarding to the Commission for approval a revised framework for funding the Association of Bay Area Governments' (ABAG) research and planning activities. This framework would replace the one approved by the Commission in September 2012.

The attached staff memorandum to the Administration Committee provides the background and justification to extend the framework from four to eight years (FY2013-14 through FY2020-21) in order to provide sufficient funding for ABAG to cover the cost of tenant improvements to ABAG's agency space at the new Regional Agency Headquarters facility. All other provisions of the original framework remain unchanged.

Following Commission action, the revised framework will be forwarded to ABAG for concurrence.

Ann Flemer

Ann Flemer

J:\COMMITTE\Commission\2013\02_February 2013\M-ABAG-2.13.doc

Agenda Item 5

METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Administration Committee DATE: February 6, 2013

FR: Executive Director

RE: Revised Funding Agreement Framework for MTC/ABAG Joint Planning Activities

In September 2012, the Commission approved a four-year framework for funding the Association of Bay Area Governments (ABAG) joint planning activities that would provide ABAG a more predictable basis for their annual budgeting. That framework did not fully take into account the relocation of ABAG's offices to the new Regional Agency Headquarters facility and included funding for the costs to ABAG associated with their share of tenant improvements at the facility.

ABAG has now agreed in principle to relocate its offices to the Regional Agency Headquarters facility. We anticipate the ABAG Administrative Committee will approve the form of the Covenants, Conditions and Restrictions (CC&Rs) and Purchase and Sale Agreement for ABAG's offices at the new facility at its meeting on February 7, 2013. We will provide an update at the Committee meeting.

The final financial agreement negotiated by ABAG and the Bay Area Headquarters Authority (BAHA) includes a cost of $4.2 million for tenant improvements to ABAG's agency space. As a result, staff is recommending a revised funding framework that includes sufficient funding to cover these costs, for this Committee's referral to the full Commission for approval.

Revised Funding Agreement Framework

The revised framework would extend the MTC annual funding commitments by an additional four years from FY2013-14 through FY 2020-21 (see Attachment A). This extension allows ABAG to pay for the tenant improvements while maintaining annual budget capacity for its planning and research program per the original funding framework approved by the Commission.

All other provisions of the original framework would remain unchanged, as follows:

- The annual funding amounts are calculated using an FY 2012-13 estimate of ABAG's research and planning services expenses of $3,700,000 as the base, escalated at 1.5% per year, plus funding sufficient for ABAG to contribute to the cost of tenant improvements.

- The funding sources for the agreement would include the final round of Prop. 84 funds in FY 2013-14 as well as any new state planning funds made available to the region to

support research, planning and implementation activities per the requirements under SB 375 and Plan Bay Area. MTC and ABAG will advocate for the continuation of state planning funds to support these activities.

- Unspent funds are allowed to be carried over into ensuing years' agreements for expenditure by ABAG in subsequent fiscal years, thereby providing budget capacity over the course of the eight-year agreement to meet anticipated agency expenses.

- The MTC Administration Committee would authorize the execution of each year's agreement, pursuant to the funding amounts in Attachment A, in order to confirm the scope of work for research and planning activities to be carried out by ABAG in exchange for the funding received.

- ABAG and MTC will explore in earnest ways to reduce costs related to any duplicative planning or administrative functions.

Subject to final approval of the Covenants, Conditions and Restrictions, and the Purchase and Sale Agreement by ABAG's Administrative Committee for office space at 390 Main Street, staff recommends that this Committee refer the revised framework to the Commission for approval and authorization to forward it to ABAG for concurrence as the basis for the MTC/ABAG funding agreements beginning in FY 2013-14.

Steve Heminger

Attachment A

MTC/ABAG Funding Framework

REVISED MTC Funding Commitments

February 2013

	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21		
Current Framework										
Planning & Research	3,755,000	3,812,000	3,869,000	3,927,000	NA	NA	NA	NA	$	15,363,000
Tenant Improvements	350,000	350,000	350,000	350,000	NA	NA	NA	NA	$	1,400,000
Total	**4,105,000**	**4,162,000**	**4,219,000**	**4,277,000**	**NA**	**NA**	**NA**	**NA**	**$**	**16,763,000**
Revised Framework										
Planning & Research	3,755,000	3,812,000	3,869,000	3,927,000	3,956,000	4,046,000	4,106,000	4,168,000	$	31,639,000
Tenant Improvements	400,000	400,000	450,000	550,000	600,000	600,000	600,000	600,000	$	4,200,000
Total	**4,155,000**	**4,212,000**	**4,319,000**	**4,477,000**	**4,556,000**	**4,646,000**	**4,706,000**	**4,768,000**	**$**	**35,839,000**
Difference	$ 50,000	$ 50,000	$ 100,000	$ 200,000	$ 4,556,000	$ 4,646,000	$ 4,706,000	$ 4,768,000	$	19,076,000

METROPOLITAN
TRANSPORTATION
COMMISSION

Joseph P. Bort MetroCenter
101 Eighth Street
Oakland, CA 94607-4700
TEL 510.817.5700
TDD/TTY 510.817.5769
FAX 510.817.5848
E-MAIL info@mtc.ca.gov
WEB www.mtc.ca.gov

Memorandum

TO: Commission

DATE: June 18, 2014

FR: Executive Director

RE: Revised Funding Agreement Framework for MTC/ABAG Joint Planning, Research and Administrative/Facilities Activities

In February 2013, the Commission approved an eight-year framework for funding the Association of Bay Area Governments (ABAG) joint planning, research, and administrative/facilities activities that would provide ABAG a more predictable basis for their annual budgeting and cover tenant improvements associated with ABAG's relocation to 375 Beale Street in San Francisco.

Consistent with the multi-year agreement, MTC and ABAG have identified cost efficiencies associated with shifting work for a Senior Land Use modeler from ABAG to MTC under one consolidated analytical services unit. As such, the multi-year agreement is proposed to be adjusted starting in FY 2014-15 to reflect an approximate $125,000 reduction in cost for ABAG.

Revised Funding Agreement Framework

The revised framework from FY 2013-14 through FY 2020-21 with this adjustment is summarized in Attachment A.

All other provisions of the February 2013 framework would remain unchanged, as follows:

- The annual funding amounts are calculated using FY 2012-13 estimate of ABAG's research and planning services expenses of $3,700,000 as the base, escalated at 1.5% per year with the $125,000 reduction noted above in FY 2014-15, plus funding sufficient for ABAG to contribute to the cost of tenant improvements.

- The funding sources for the agreement would include the final round of Proposition 84 funds in FY 2013-14 as well as any new state planning funds made available to the region to support research, planning and implementation activities per the requirements under SB 375 and Plan Bay Area. MTC and ABAG will advocate for the continuation of state planning funds to support these activities.

- Unspent funds are allowed to be carried over into ensuing years' agreements for expenditure by ABAG in subsequent fiscal years, thereby providing budget capacity over

the course of the eight-year agreement to meet anticipated agency expenses and to offset potential lower state funding levels.

- The MTC Administration Committee would authorize the execution of each year's agreement, pursuant to the funding amounts in Attachment A, in order to confirm the scope of work for research and planning activities to be carried out by ABAG in exchange for the funding received.

- ABAG and MTC will continue to explore in earnest ways to reduce costs related to any duplicative planning or administrative functions.

Staff recommends that the Commission approve and authorize staff to forward it to ABAG for concurrence as the basis for the MTC/ABAG funding agreements beginning in FY 2014-15.

Steve Heminger

AB:SH
J:\COMMITTE\Commission\2014\06_June_2014\a_Revised ABAG FundingFramework.doc

Attachment A

MTC/ABAG Funding Framework

REVISED MTC Funding Commitments

June 2014

	FY2013-14	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19	FY2019-20	FY2020-21	Total
Current Framework									
Planning & Research	3,755,000	3,812,000	3,869,000	3,927,000	3,986,000	4,046,000	4,106,000	4,168,000	$31,669,000
Tenant Improvements	400,000	400,000	450,000	550,000	600,000	600,000	600,000	600,000	$ 4,200,000
Total	4,155,000	4,212,000	4,319,000	4,477,000	4,586,000	4,646,000	4,706,000	4,768,000	$35,869,000
Revised Framework									
Planning & Research	3,755,000	3,687,000	3,742,000	3,798,000	3,855,000	3,913,000	3,972,000	4,031,000	$30,753,000
Tenant Improvements	400,000	400,000	450,000	550,000	600,000	600,000	600,000	600,000	$ 4,200,000
Total	4,155,000	4,087,000	4,192,000	4,348,000	4,455,000	4,513,000	4,572,000	4,631,000	$34,953,000
Difference	-	(125,000)	(127,000)	(129,000)	(131,000)	(133,000)	(134,000)	(137,000)	(916,000)

Corrected from February 2013 Framework to increase by $30,000.

Attachment B

To: Executive Board, ABAG
Fr: Kenneth K, Moy, Legal Counsel
Dt: July 6, 2015
Re: Proposed Transfer of ABAG Planning and Research Staff – Legal Background

Summary

SB 375 assigns responsibility for the land use, housing and economic elements of the sustainable communities strategy (SCS) to ABAG and the transportation elements to the Metropolitan Transportation Authority (MTC). The proposed transfer of ABAG's Planning and Research staff to MTC requires one of the following:

A. The ABAG Executive Board transfers its planning responsibilities under SB 375 to MTC.
or
B. The Legislature amends SB 375 to do so.

SB 375's division of regional land use planning and regional transportation planning between ABAG and MTC, respectively, continues a practice that has been in place since the creation of MTC.

Discussion and Analysis

A. SB 375

SB 375 amended the Planning and Land Use Law to require the preparation of a sustainable communities strategy (SCS) for each region in the State. The SCS must be included in any Regional Transportation Plan prepared subsequent to the passage of SB 375.

SB 375 describes the SCS in terms of eight functional elements. For the San Francisco Bay Region, SB 375 designated ABAG and MTC as the entities responsible for preparing the SCS and assigned each of the eight functional elements as follows:

ABAG

o Identify the general location of uses, residential densities, and building intensities within the region.

o Identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period of the regional transportation plan taking into account net migration into the region, population growth, household formation and employment growth.

o Identify areas within the region sufficient to house an eight-year projection of the regional housing need for the region as determined by the State Housing and Community Development Department (HCD) and ABAG under the Housing Element Law.

o Gather and consider the best practically available scientific information regarding resource areas and farmland in the region as defined by statute.

o Consider the state housing goals of the State Housing Element Law.

ABAG and MTC

o Set forth a forecasted development pattern for the region, which, when integrated with the transportation network, and other transportation measures and policies, will reduce the greenhouse gas emissions from automobiles and light trucks to achieve, if there is a feasible way to do so, the greenhouse gas emission reduction targets approved by the California Air Resources Board.

MTC

o Identify a transportation network to service the transportation needs of the region.

o Allow the regional transportation plan to comply with Section 176 of the federal Clean Air Act (42 U.S.C. Sec. 7506).

SB 375 clearly establishes that ABAG is responsible for the land use, housing and economic planning required for the SCS and that MTC is responsible for the required transportation planning.[1] SB 375 is silent on how ABAG and MTC are to collaborate on jointly preparing and approving the SCS.[2]

B. Proposed Transfer

MTC staff is proposing that ABAG transfer ABAG Planning and Research staff to MTC to address issues identified by MTC staff. Regardless of the reason(s) for the transfer, to do so requires (1) action by the ABAG Executive Board or (2) amendment of SB 375.

For the reasons stated above, ABAG is responsible for the land use, housing and economic elements of the SCS. ABAG carried out that responsibility for Plan Bay Area in 2011-13 by having its staff prepare those components in collaboration with MTC staff and by approving the SCS. In my opinion, transferring the Planning and Research staff from ABAG to MTC does not change SB 375's requirement that ABAG be responsible for these elements of the SCS.

[1] See Govt. Code Secs. 65080(2)(B) and 65080(2)(C)(i).
[2] MTC and ABAG acknowledged this allocation of responsibilities in their respective resolutions adopting the SCS: MTC Resolution 4111 and ABAG Resolution 06-13.

Therefore, the land use, housing and economic elements of the SCS still requires ABAG Executive Board approval.

In theory, after the ABAG Planning & Research Department is transferred to MTC, the land use, housing and economic elements of the SCS could still be subject to approval by the ABAG Executive Board. However, MTC's rationale for the transfer - to remove 'inefficiencies and duplication' – is not compatible with a structure that has the ABAG Executive Board overseeing work performed by MTC staff. Therefore, there are two feasible options:

a. ABAG delegates responsibility for preparation its portion of the SCS to MTC, or
b. SB 375 is amended to transfer ABAG's responsibility for preparation of the SCS to MTC.

Any proposed delegation or amendment will also need to deal with the element of the SCS that requires it to identify areas within the region sufficient to house an eight-year projection of the regional housing need for the region as determined by the State Housing and Community Development Department (HCD) and the regional housing need allocation (RHNA). ABAG was responsible for RHNA in 2013 and coordinated the RHNA and the SCS. If RHNA is not performed by MTC, then ABAG and MTC will need to coordinate their respective work on the RHNA and the SCS.

C. Historical Separation of Regional Land Use Planning from Regional Transportation Planning in the San Francisco Bay Area

ABAG is a joint powers entity created in 1961 to address the "demonstrated need for the establishment of an association of county and city governments within the San Francisco Bay Area to provide a forum for discussion and study of metropolitan area problems of mutual interest and concern to the counties and cities, and to facilitate the development of policy and action recommendations for the solution of such problems."[3] Over its history, ABAG's primary focus has been on regional land use, housing and the environment. In this capacity, ABAG operates as a COG.

In 1970, the Legislature enacted the Metropolitan Transportation Commission Act that created MTC as a "local area planning agency . . . to provide comprehensive regional transportation planning" in the San Francisco Bay Area.[4] In addition, MTC is designated as the transportation planning agency for the region.[5]

[3] See first precatory clause of the ABAG joint powers agreement.
[4] Govt. Code Sec. 66502. The Act is at Govt. Code Secs. 66501- 66536.2.
[5] Govt. Code Sec. 29532.1(a).

In all other regions of the State, the region's COG (if there is one) was also designated as the region's transportation planning agency.[6] This is the case for the other three major metropolitan regions: Los Angeles, San Diego and Sacramento. The designation of MTC as a standalone regional transportation agency separate from ABAG, the region's COG, and the resultant separation of regional transportation planning from regional land use planning, are anomalies. The Legislature apparently acknowledged this anomaly by requiring MTC to consider "plans prepared and adopted by the Association of Bay Area Governments" in MTC's preparation of the regional transportation plan.[7]

It is worth noting that historically MTC has provided funding for ABAG's regional land use planning activities that were needed to support MTC's transportation planning through an 'Interagency Agreement'. Each year the amount of the funding was based on a 'Funding Formula (Appendix A).

[6] Govt. Code Sec. 29532.
[7] Govt. Code Sec. 66509(c).

APPENDIX A
MTC/ABAG FUNDING FORMULA

Commencing with fiscal year 1993-94 and continuing each fiscal year thereafter, MTC shall annually pass through to ABAG, as set forth below, an amount equivalent to fifteen percent (15%) of the new federal general planning funds (U.S. DOT) and ten percent (10%) of the new TDA planning funds anticipated to be received by MTC during the given fiscal year. Funds appropriated in earlier fiscal years shall not be included in the pass-through computation.

Revenues "anticipated" by MTC, for the purpose of calculating ABAG's share, shall mean:

TDA: County Auditors' estimates received by MTC by February 1, preceding the fiscal year in question, or as amended by MTC prior to July 1 of the fiscal year in question.

FHWA: Estimates provided by FHWA, through Caltrans, in February preceding the fiscal year in question.

FTA: Estimates provided by FHWA, through Caltrans, in February preceding the fiscal year in question.

If additional DOT money for special planning studies should become available, ABAG may propose work programs for such studies and negotiate with MTC for additional funds as provided in Section 3 of this agreement.

Funding from FTA and FHWA shall be contingent upon approval by these agencies of the OWP for the coming year. Should the DOT agencies amend the OWP after the above dates to reduce the amounts of FHWA or FTA funds, MTC and ABAG shall endeavor to reduce their shares of DOT funds proportionally and shall amend the OWP tasks as necessary to reflect the reduced level of funding.

Attachment C

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

ABAG

MEMO

Date: June 30, 2015

To: Executive Board, ABAG

From: Miriam Chion, Planning and Research Director

Re: ABAG/MTC Work Program, Schedule and Framework of Collaboration for Plan Bay Area 2040

Based on input from the Executive Board, the Commission, partner agencies and stakeholders, ABAG and MTC designed a work program and schedule that identifies specific tasks, responsibilities, and decision-making points for Plan Bay Area 2040. This collaboration supported the first round of open houses by county, where we were able to have substantial conversations with diverse audiences on transportation, land use, and the forecast among other issues. These successful open houses are setting a positive tone for the update of the Plan and our regional dialogues.

In order to describe the process of collaboration in the development of Plan Bay Area 2040, the sections below illustrate the various tools prepared by ABAG and MTC staff.

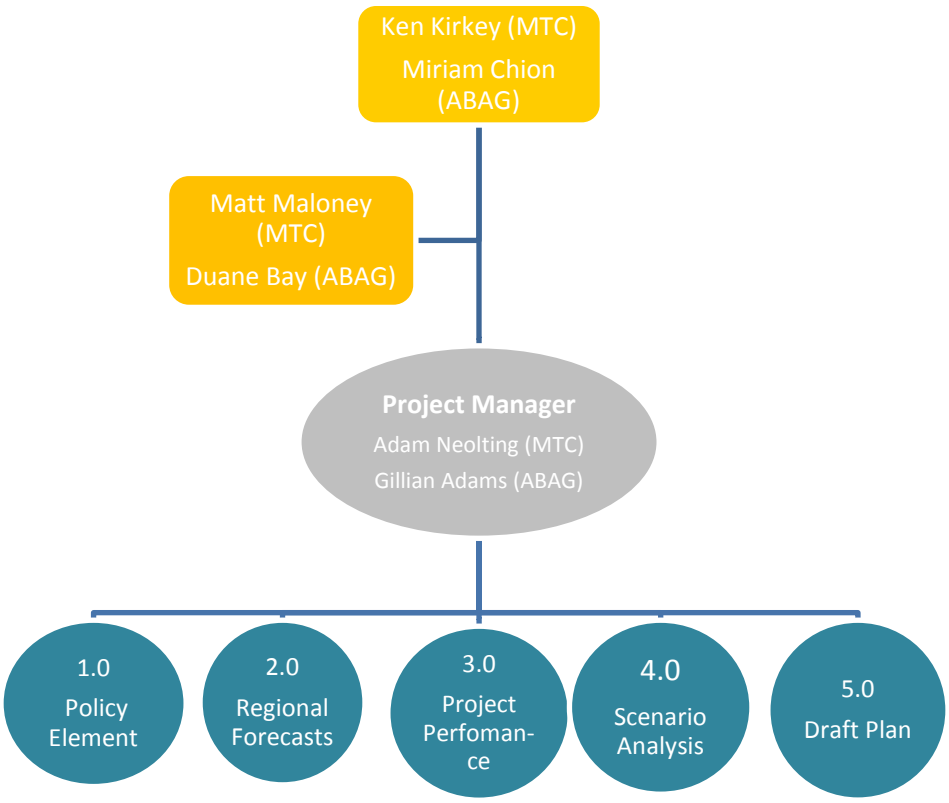
Overall Plan Bay Area schedule

ABAG and MTC adopted a schedule for the update of Plan Bay Area as part of the Public Participation Plan (See Chart 1, page 5). This includes major milestones between Fall 2014 and June 2017, when the Plan will be adopted by both boards. This schedule includes the public workshops, policy elements, forecast, performance assessment, scenario development and plan and EIR preparation.

Project team organization and schedule

While this is a focused update, informed by the first plan and will not include a Regional Housing Need Assessment (RHNA), it still represents a major endeavor that requires careful coordination. Towards this end, ABAG and MTC staff developed an organization chart that describes the specific tasks and identifies the ABAG and MTC staff leads for each task. This includes planning, research and communication staff from both organizations. (See Chart 2, below)

Chart 2 – Project Team Organization



1.0 Policy Element

Public Participation Plan
ABAG and MTC Public Information Staff

Goals
ABAG and MTC Planning and Research Staff

Performance Targets
ABAG and MTC Planning Staff

Public Open Houses
ABAG and MTC Public Information Staff

2.0 Regional Forecasts

Population, Employment & Housing
ABAG Planning and Research Staff

Travel Demand
MTC Staff

Transportation Revenue
MTC Staff

3.0 Project Performance

Project Database
MTC Staff

Call for Projects
MTC Staff

Project Performance Assessment
MTC Staff

Public Opinion Poll #1
MTC Public Information Staff

O&M Need Assessments
MTC Staff

Project List
MTC Staff

4.0 Scenario Analysis

Define Scenario/EIR Alternatives
ABAG and MTC Planning and Research Staff

Evaluate Scenario/EIR Alternative
ABAG and MTC Planning and Research Staff

Preferred Scenario
Lead ABAG and MTC Planning and Research and MTC Programming and Allocations Staff

Public Workshops
ABAG and MTC Public Information Staff

Public Opinion Poll #2
MTC Public Information Staff

5.0 Draft Plan

Outline/Chapters
MTC Public Information and Planning Staff
ABAG Planning and Research Staff

Air Quality Conformity Analysis
MTC Staff

Title VI/EJ Analysis
MTC Staff

Public Workshops
MTC Public Information and Planning Staff

To track specific progress on each task, we developed a monthly meeting schedule for 2015 and 2016 that covers three layers of decision-making: (1) Executive Directors, (2) Advisory Committees and (3) Joint ABAG Administrative Committee and MTC Planning Committee. Beyond the general organization and schedule, teams responsible for specific tasks developed their detailed schedules and coordination (i.e. PDA applications, Call for Projects, Modeling, Open Houses, etc). One example is a schematic schedule for the development of the Plan scenarios (See Chart 3, page 6).

Comprehensive coordination

The development of Plan Bay Area is not a single effort; it is supported by a set of regular meetings and collaboration in areas that allow a regular exchange of information across ABAG and MTC. (See Chart 4, page 7)

Addressing discrepancies

In addition to all these tools to ensure a proper flow of information to establish solid knowledge and make clear decisions across both agencies, we also have channels to recognize discrepancies and find resolutions efficiently.

Connecting land use growth patterns with transportation investments, two distinct processes, involves an ongoing discussion of the issues to resolve any discrepancies or major issues that arise.[Land use patterns are based on local plans and local decisions and as such, requires careful engagement with local planning staff, city managers, local elected officials and stakeholders. Transportation investments require a detailed and careful evaluation of projects and input from partner agencies and stakeholders. It is expected that when dealing with the diversity of cities and perspectives in the Bay Area public investments and future growth may trigger controversial issues that will require thoughtful responses and resolution.

Most discrepancies are resolved within the specific teams, with respect for each other's expertise and responsibilities for transportation or land use. Some are resolved by the planning directors or deputy directors through their regular meetings. Key challenges are brought for discussion with the executive directors. On exceptional cases involving policy options, discrepancies are brought to the Executive Board and Commission for resolution. This is the case with housing performance targets, where MTC is requesting the elimination of in-commute growth, whereas ABAG is proposing housing all population without displacement. This issue will be brought to the Joint ABAG Administrative / MTC Planning Committee in July 2015.

Improving collaboration

From ABAG's perspective there is a good flow of communication and appropriate division of responsibilities. However, we have been advised that our MTC colleagues have expressed concerns and morale issues related to our working relationships. Collaboration across regional agencies is essential and ABAG staff is committed to explore any additional productive opportunities to engage our MTC colleagues and address their concerns.

Attachment A

Plan Bay Area Update: Key Milestones 2014–2017

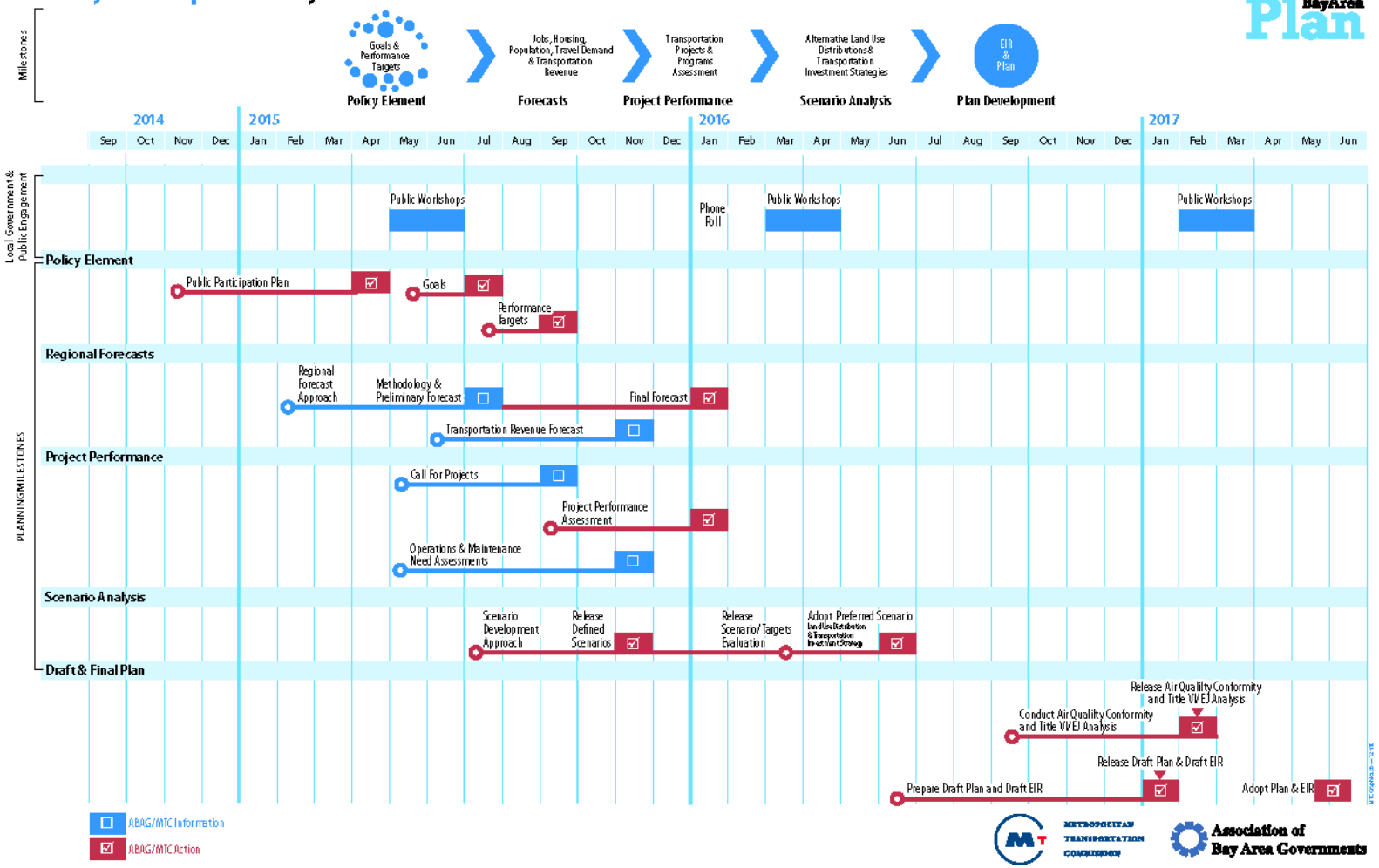


Chart 1

Scenario Approach – Plan Bay Area 2017
Coordination among ABAG, MTC, CMAs and City/County staff

DRAFT

April 6, 2015

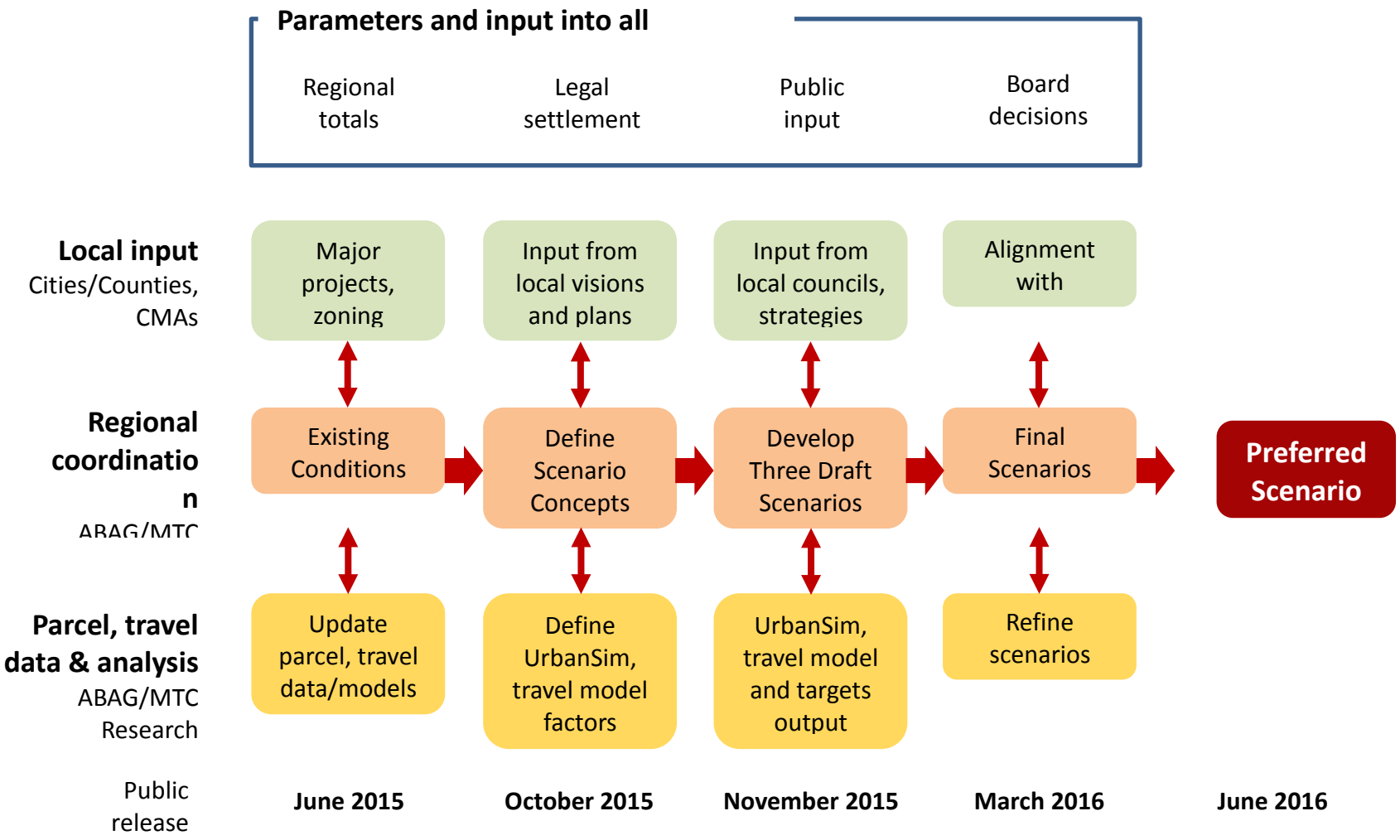


Chart 3

Chart 4

ABAG & MTC meetings

Executive Directors

What: *Interagency coordination of Plan Bay Area.*
ABAG Staff: Executive, Deputy, and Planning Directors. Staff as needed.
MTC Staff: Executive, Deputy, and Planning Directors. Staff as needed.
Freq: Monthly

Planning Directors

What: *Planning tasks.*
ABAG Staff: Miriam Chion
MTC Staff: Ken Kirkey
Freq: Once per week

Plan Bay Area Communications

What: *Plan Bay Area outreach.*
ABAG Staff: Brad Paul
MTC Staff: Ellen Griffin
Freq: Once per week prior to workshops

Plan Bay Area Research & Modeling

What: *Research and data coordination.*
ABAG Staff: Cynthia Kroll, Staff as needed.
MTC Staff: Dave Ory, Staff as needed.
Freq: Once per two weeks

PDA planning

What: PDA implementation coordination.
ABAG Staff: Christy Leffall, Duane Bay, Gillian Adams, Hing Wong, Johnny Jaramillo, Mark Shorett, Miriam Chion, Pedro Galvao, Vinita Goyal
MTC Staff: Ken Kirkey, Therese Trivedi, Doug Johnson
Freq: Two times per month

PDA grants

What: *Grant administration.*
ABAG Staff: Christy Leffall, Duane Bay, Gillian Adams, Hing Wong, Johnny Jaramillo, Mark Shorett, Miriam Chion, Pedro Galvao, Vinita Goyal
MTC Staff: Therese Trivedi, Doug Johnson
Freq: Once per month

Regional Prosperity Plan

What: *Addresses barriers to a more equitable society: 1) workforce & economic development, 2) improving access to opportunity, 3) preserving & building affordable workforce housing.*
ABAG Staff: Miriam Chion, Duane Bay, Johnny Jaramillo, Vinita Goyal, Pedro Galvao
MTC Staff: Ken Kirkey, Doug Johnson, Vikrant Sood, Chelsea Guerrero
Freq: Once per month

Performance Group

What: *Develop performance targets for Plan Bay Area update*
ABAG Staff: Pedro Galvao
MTC Staff: Dave Vautin
Freq: Once per week

Equity Group

What: *Gather input from stakeholders and prepare equity analysis*
ABAG Staff: Pedro Galvao
MTC Staff: Vikrant Sood
Freq: Once per month

Areas of collaboration

Plan Bay Area		
	What:	*Coordinate land use, planning and transportation investment for Plan Bay Area update by 2017.*
	ABAG Staff:	Gillian Adams, Johnny Jaramillo, Mark Shorett, Pedro Galvao, Vinita Goyal, Duane Bay, Aksel Olsen, Hing Wong, Dana Brechwald.
	MTC Staff:	Ken Kirkey, Doug Johnson, Therese Trivedi, Dave Vautin, Kristen Carnarius, Matt Maloney
OBAG (housing element)		
	What:	*Provide input on OBAG's housing-related policies, including the allocation formula and the deadline for Housing Element certification. Monitor local progress in Housing Element certifications.*
	ABAG Staff:	Gillian Adams, Duane Bay
	MTC Staff:	Craig Goldblatt, Ross McKeown, Ken Kirkey, Anne Richman, Alix Bockelman
Cap and Trade		
	What:	*Coordinate review of Bay Area applications for Greenhouse Gas Reductions Fund (GGRF) grants in the Affordable Housing and Sustainable Communities (AHSC) category.*
	ABAG Staff:	Mark Shorett
	MTC Staff:	Doug Johnson, Craig Bosman, Matt Maloney
PDA		
	What:	*Coordinate Planning Grants support and continued PDA policy and criteria evaluation.*
	ABAG Staff:	Johnny Jaramillo, Christy Leffall, Gillian Adams, Mark Shorett, Pedro Galvao, Vinita Goyal
	MTC Staff:	Therese Trivedi, Doug Johnson, Ken Kirkey
Industrial land and goods movement		
	What:	*Analyze the demand for and supply of industrially zoned land in the nine-county region, both now and in the future, and develop strategies for industrial land that support the policy and planning approaches under development by MTC / ACTC for sustainable goods movement in the region.*
	ABAG Staff:	Miriam Chion, Johnny Jaramillo
	MTC Staff:	Ken Kirkey, Matt Malone, Doug Johnson
Communication		
	What:	*Coordinate public workshops.*
	ABAG Staff:	Brad Paul, Leah Zippert, Halimah Anderson
	MTC Staff:	Ellen Griffin, Pam Grove, Catalina Alvarado
Research		
	What:	*Coordinate land use and transportation analysis and forecast. Developing the Vital Signs Website (land and people and economy sections). ABAG collaborated on the descriptive material.*
	ABAG Staff:	Cynthia Kroll, Bobby Lu, Michael Smith, Aksel Olsen, Hing Wong
	MTC Staff:	Dave Ory, Michael Reilly, Dave Vautin, Kristen Carnarius, Kearey Smith
Resilience		
	What:	*Coordinate analysis of earthquake and flooding impacts and strategies.*
	ABAG Staff:	Danielle Mieler, Dana Brechwald, Michael Germeraad
	MTC Staff:	Stephanie Hom

Bay Trail	
What:	*The Bay Trail Board of Directors is involved in all actions and decisions associated with the project. MTC has a designated position on the board.*
ABAG Staff:	Laura Thompson, Maureen Gaffney, Lee Huo
MTC Staff:	Previously Sean Co, (Ken Kirkey will designate new MTC employee soon)
Administrative coordination	
What:	*Coordinate meetings*
ABAG Staff:	Wally Charles
MTC Staff:	Joe Dellea

ATTACHMENT D

Transcript of June 24, 2015 MTC Meeting
Discussion of ABAG FY 2015-2016

Cortese: We will now open the Metropolitan Transportation Commission, meeting.

Speaker 1: Mr. Chairman, can you give me a, give us a minute to log on?

Cortese: Yes, we will give you a minute.

Speaker 1: Thank you. We are back on.

Cortese: Thank you. Again, we are going to call Metropolitan Transportation Commission meeting of June 24th, 2015 to order at this time. We ask the secretary to confirm the quorum.

Secretary: We have a quorum.

Cortese: Thank you. Item two is the Chair's, report. I want to let everyone know in spirit of transparency that the exec committee, executive committee of the commission met this morning for purpose of reviewing the General Counsel's annual performance. And I'm not sure how much we are to report out on this except that her performance was reported out as satisfactory. And I will sit down with the General Counsel subsequent to this item to discuss further.

Also under the Chair's, report, I want to indicate that for the past few months, ABAG President, Julie Pierce, who is also Commissioner, Julie Pierce, and I have hosted a series of ad hoc discussions among commissioners who also served on the ABAG executive board. The purpose of those conversations has been to explore various lessons learned from the experience of developing plan behavior and to consider whether a different structural relationship between the MTC [00:02:00] and ABAG planning departments might result in a more coherent and efficient planning process for developing plan Bay Area 2040.

We have ways to go in those discussions, they are not yet complete. We have been working with senior staff members in both organizations, including both executive directors to try to determine functions particularly on the planning side that we might be able to streamline or make more efficient. So as part of that or in, to be congruent with that, I like to propose that we extend the MTC ABAG memorandum of understanding, the funding agreement for six months through December 31st, 2015, in an amount not to exceed $1.9 million.

The current MoU expires at the end of this month. We typically renew the MoU for a full fiscal year, in other words a full 12 months. There is no reason to believe that ultimately it won't be the case again, but the short expansion is going to give us time to complete our conversations, return the commission before the end of the calendar year with recommended changes to the contract, if need be.

All the other terms of the current MoU would remain in force for the six-month period with the exception that their two new funding conditions would simply require ABAG to cure internal control deficiencies identified in recent audits, either by the MTC or the state controller's office. My understanding is audits have, are now complete, and those are pretty standard requirements, at this point of any contractual relationship. We have requested to MTC's auditors to make a brief presentation of their findings at the commission meeting. And that would be today, right? Let me ask [crosstalk 00:03:59]

Speaker 2: Chairman in there, they are going to [00:04:00] make that presentation at your pleasure.

Cortese: And what would be the appropriate time to do that on the agenda?

Speaker 2: Probably right now.

Cortese: Okay.

Speaker 2: (Laughs).

Cortese: But why don't we have them do that. And, of course, the proposed extension agreement has been attached to your packet, so that is part of the agenda today. Why don't we go ahead and call up the auditors to hear what they have to say and then we'll move on with our agenda. Thank you for being here.

Joan: Thank you, Chairman Cortese. Let me just introduce ourselves. We are not the standard financial statement audit team. So my name is Joan Murphy, I'm the engagement partner from PwC on the financial statement audit and also the signing partner on this agreed-upon procedures engagement. And to my left is Meera Banerjee. Meera, you want to say a few words about your PwC role?

Meera: Sure. So my name is Meera Banerjee with PwC. I was the Engagement Manager Lead on the agreed-upon procedures report that we are going to be going through today.

Cortese: These microphones are not very sensitive, so you ought to speak right into them.

Joan: So do you want her to repeat what she said?

Cortese: Please do.

Joan: Okay.

Meera: So, my name is Meera Banerjee, I'm with PwC, and I was the Engagement Manager for the agreed-upon procedures report that we'll be discussing today.

Joan: So, we prepared a sort of PowerPoint presentation that we'll use to facilitate this morning's just brief presentation that it really supports our written report, which is an agreed-upon procedures report. So let me just, I thought I'd give you just a brief background on the nature of the engagement, and then talk in summary about the procedures that we performed and what we found. Okay.

So, the purpose of our work was to aid [00:06:00] MTC in its investigation into the appropriate use of its funds that were awarded to ABAG for the period from July 1, 2012 through February 28th, 2015. Okay. And an agreed-upon procedure engagement is defined by the AICPA professional, standards, but it's a bit of a different kind of animal, if you will, type of report. We worked with MTC management and ultimately ABAG management to say MTC says here is the procedures we want you to perform, ABAG agreed to those. The auditor goes in to basically ABAG and performs the procedures, and we don't issue an opinion on the results what we did. We issue a report that really specifies what we found, okay.

So the reader, if you read the detailed report, you get the benefit of seeing what we learned. Okay that there were five projects. So the focus was, again, on MTC funds awarded to ABAG, okay, not all ABAG funds. And we focused at management's direction on five individual projects: the planning project, the HUD grant, the PDA project, Prop 84 and Bay Trail. Okay.

And I just want to say upfront we did not identify any abuse or misuse of MTC funds as part of our procedure. So I just want to sort of state that. So if we talk a

little bit, so just in general the procedures that we did where it really get comfortable that to the extent MTC had funded or moved money to ABAG on a reimbursement basis because that's, that's the funding mechanism that there was supporting documentation on ABAG side that evidenced that those expenditures were legitimate expenditures. Okay.

And, I'm looking at sort of the second page of the PowerPoint. So our focus was on payments and [00:08:00] direct costs and indirect costs because those are really the fundamental expenditures covered by the MTC awards. And we compared supporting documentation from ABAG to those funds that had been requested to be reimbursed from MTC. We also looked to individuals in the mindset of, might there have been individuals who charged time to those awards that shouldn't have. The procedures were, outside of ABAG's planning group, were there individuals who did charge time? Okay.

So we just really kind of looked at, I mean, personnel costs constitute about 65% of the total sought reimbursement requests. So we focused on, if people were charging time to the MTC awards, was there support for why they did that? And had their time been approved? Okay.

We also looked at indirect cost rates just to see if we could recalculate the indirect cost rate that was used by ABAG and that had been approved by the EPA in sort of its, I guess, in constructing the MTC award. Okay. We took a look also at ABAG's procurement and disbursement procedures, just to understand the process, and the protocol within the organization. We used any invoices greater than $5000 to kind of facilitate our review, and examination of the work that was done. And in a minute I'll talk about where we to the extent we found exceptions.

And then last of all, we took a look at the bank accounts. We wanted to understand where the funds flow in from MTC to ABAG. Do those same funds when expended come out of that same account, and what comes out of that account? Okay. Any questions thus far? All right.

And I do want to say to make sure, we had great cooperation from ABAG management staff. We very much appreciate that, and could not have done this project without them. So, we noted some differences, [00:10:00] and now I'm on the next page summary of exceptions to the extent that there were ever differences between what MTC had reimbursed ABAG for versus ABAG's total cost. It was primarily just because ABAG's costs exceeded the maximum award,

but the only requested reimbursement for the maximum amount, okay. So no issues really there.

We did identify seven individuals who were, part of their time is, it goes into the indirect cost for. I'm not sure how familiar you are with indirect costs versus direct costs, but what we see in the federal award arena is it that that you would not typically charge time directly to a project, but also have your salary cost in the indirect cost pool. We found seven individuals where there were some overlap to that extent. Uh, and I think MTC management will ask to take a look at that.

And then we noted one timesheet that had not been approved, so just one person's timesheet, just for one period, so not an issue there really I would say. We looked at the procurement and disbursement process. We've got a few points here, we looked at contracts and vendor invoices to understand where they are being approved as they should be approved. Did they at least in description relate to the project? That sort of thing.

And I'd say the most important observation from our perspective here was that that the program manager who oversees the project, that the project manager has quite broad capabilities, if you will. So responsibility for monitoring vendor spending, but also has some ability to submit an invoice with vendor information, create a payment requisition, etc. So little bit of lack of segregation of duties that we might otherwise normally see. Uh, again, we didn't find anything inappropriate, but we just made that observation.

And then, again, you, you don't live in the accounting world, but purchase orders [00:12:00] are sort of standard practice used in the procurement process. And we did not, ABAG does not use purchase orders at least for the awards that we were looking at, okay. So those are just some observations, if you will.

And then on the bank account, we, we found that basically there is one account, MTC funds flow there and they are used to, you know, cover reimbursement for expenditures incurred out of that same fund. So, you know, anything for the work that we did, we found approvals, you know, the requisite check authorities or signing authorities were followed, etc. So we had, we saw no issues there. Okay.

So let's kind of [quick 00:12:47] (laughs) because it's, if you read the reports, a lot of detailed work that we do, and you get a chance to see that. But that's

really sort of in summary. What we, Meera and I wanted to highlight for you kind of what we found. We are happy to take questions, any specifics.

Cortese: I'll call for questions from the commission if, and see if there are any obviously our primary purpose was relative to the item under the Chair's report which I intend to move based on a memo, circulated, transmittal circulated June 17th, which cross-referenced the conditions of compliance with the audit recommendations. So I think you've given us enough of an overview to understand basically what's there.

The only question I have is whether or not ABAG and I don't know if you are that far into the process, whether that or not they have responded or concurred with the audit recommendations.

Joan: So in the written report, in the back there is a matrix that summarizes where would ... And I do need to clarify, [00:14:00] an exception isn't necessarily a bad or good thing. We don't pass judgment in that regard.

Cortese: We understand.

Joan: But there is a matrix of exceptions or, maybe where we found the result of our procedure was a little bit different from what we had anticipated. And there is responses there from ABAG management. So we, you know, I feel we vetted pretty thoroughly what we found, want to make sure we had it right. And they did have a chance to kind of put their commentary in. Okay, isn't that fair?

Cortese: Thank you.

Joan: Yeah.

Cortese: Thank you. Is there anyone here from ABAG that wants to speak to the item? I don't have any formal requests. Yes, Commissioner Pierce.

Julie: Thank you, Chair Cortese. Yes, we have been meeting together. I will confer with that. And I did chat with my ABAG staff this morning, and they've just received this memo as well, so they will be preparing a response in addition. But I'd note, as our staff indicated, there was no misuse or abuse found anywhere. So, while, procedures maybe somewhat different, I suspect there are good explanations for those, I was given some of them, they are rather complicated accounting stuff. And I'm not going to go into that, I'll let that go into the formal response.

But, while, I am all in favor of us continuing our discussions to find out how we can work more effectively together. I have to say that we did hold an administrative committee meeting for ABAG. And unfortunately, Dave, you were unable to be there for that portion of the meeting where we discussed this suggestion and the recommendation from the ABAG [00:16:00] administrative committee was to request that the budget item be for the full-year with a review in six months.

So that we don't budget only six months with no assurance that there is money there for the second six months, I mean, there is no reason to indicate that things won't be just fine. They have been just fine. We have shown that there is no misuse or abuse. And if we can find efficiencies, then we can implement that when we get there in six months. But it'd be the prudent thing to budget for the entire year as our original agreement read in our five year agreement that we adopted a couple of years ago. So that would be my suggestion to the commission.

Cortese: Okay, thank you, Julie. Before I respond to that are there any other comments or questions from the commission for the auditors? I see none, I think we've completed your portion of this item. So thank you.

Speaker: Okay.

Joan: Thank you very much.

Cortese: And we'll come back to the proposed item itself. My memo I circulated as part of the agenda packet today calls for the funding agreement itself to come due again December 31st, 2015, but also contemplates that we would make modifications, if needed to, to the agreement.

Let me ask the budget question, what I'm hearing you say Commissioner Pierce is you want to make sure that there is adequate dollars in the MTC budget for full year's worth of funding, which I would assume one way or the other, there is going to be [00:18:00] a full year of funding depending on what that, what the contract looks like at six months. How is that handled, see if we approve a budget now, do we have to go find money in six months? I haven't looked at the line item in the budget closely enough to know that if we have 12 months worth of funding available against a six-month current contract.

Heminger: Mr. Chairman, the budgeted that's before you today later on in the agenda is a full year's budget, and that's a full-year for every activity, including ABAG. So the budget you shouldn't have to worry about. The agreement before you is to extend the agreement that essentially meters the money out to ABAG for six months. So, I think the full year is covered in terms of the budget.

Cortese: It's your understanding based on I want to make sure I'm being clear because what I'm calling for is for the contract to be reopened and brought back to the commission on or before December 31st for renewal is, I want to make sure that's your understanding of what [crosstalk 00:19:07].

Heminger: It is. And, and for example, we pass-through money to the CMAs every year. And that's not only a budget action, but we have an agreement with them that defines the terms of how that money is passed through, what they spend the money on, etc. So you need both for the money to flow and the budgets there for the full year.

Cortese: Okay, any other questions or comments from the commission? I'm going to go ahead and move the recommendation that's in your packet with a clarification that it doesn't, that there is in fact 12 months worth of budget for all ABAG activities that are in various areas of the chart of accounts in the budget.

From a budget standpoint that we will bring this if this motion passes, that the six-months worth of funding [00:20:00], continues, essentially rolls forward. And then prior to the expiration of the MoU that we'll bring it back to the commission for consideration of the six-month renewal thereafter for the remaining 12 months, either on the same terms or modified terms depending on where this commission ends up on that day.

Mackenzie: I'll second that motion, Mr. Chair.

Cortese: Comment, questions on the motion. Julie?

Julie: You know, I know we are working cooperatively to find a way to work more cooperatively, and I appreciate that. I think this motion in many ways, and I don't mean to blindside you, Mr. Chair. But I think this motion in many ways shows a huge distrust of a partner agency. And so, I am going to vote no on this. I really feel we should be able to vote, to allocate the full-year just as we've done in the past and work collaboratively to find efficiencies in the operation of the two agencies together. I think this really is a slap in the face.

Cortese: Well, I certainly want to see that my motion is unintended to be any kind of slap in the face and really more focused more on the ministerial and contractual issues that, well, we are contemplating changes, possible to potential changes may or may not occur, but potential changes to the relationship. I don't want to get into a situation where we have to write this contract, write into this contract, conditions, anticipated conditions for changes before we know what those are, or some kind of a 12-month contract with a strict unilateral right of MTC [00:22:00] to bring it back like a reopener as you would in collective bargaining.

I think it's just a lot simpler to just say it's the same old relationship, it's six months, and with the representation that we are committed as part of this motion to bringing the remaining six months back to this board for consideration again. As I think it would be abrupt and something more [kindle 00:22:28] slap in the face if we weren't fully appropriating, a renewal of all ABAG funding in the budget itself, which will be taken up by the commission, the fund is there. Assuming that there is, that the commission approves, it fully approves the budget, there is a full appropriation for 12 months for ABAG, then we just clarify that so.

You know, the interest is certainly in continuing to work. I'm a past President of ABAG myself, I think we have all understood that ABAG has statutory responsibilities, MTC does, and we are trying to work through areas where we can respect everybody's statutory authority, and at the same time possibly structure our planning relationships, [supplying department 00:23:20] relationships a little differently.

And that could have an impact on the funding agreement. That's all that's intended, and I just want to clarify the intent now. I respect your point of view and I'm sure people in the commission will vote one way or the other depending on where they, how they feel about it right now. Anybody else want to comment on the motion besides Commissioner Pierce? Commissioner Haggerty?

Haggerty: Thank you, Mr. Chair. I just want to say they weren't auditors, I forget what they were calling themselves. As I heard the report, there was really no [00:24:00] huge structural problems. Is that correct?

Cortese: That's my understanding. There is the only thing that I, that was really the called out there that, it sounds like it may have some significance is the build back relationships between direct bill and indirect billing. It sounds like management is if not already working, we can ask Steve for clarification on that, but working

on making sure that that's reconciled going forward. And, and that perhaps this doesn't continue going forward, but it doesn't sound like a big dollar item, more of a ministerial item.

Haggerty: I'm trying to understand the reasoning to go as six months as opposed to a year. And I know probably they are not one and the same, the audit compared to the discussions we are having about how we can work better with SB 375 in a more collaborative, you know, method. And, possibly any consolidation of functions which you know, I got to be honest with you, Mr. Chair, saying this publicly, I don't know that I would have a problem and I hate to say this because it just seems certified every time with its mention, but I don't have a problem looking at consolidating both agencies. I don't have a problem looking at that anymore, I used to.

But having said that, it seems to me that we are being a bit punitive and saying to ABAG, "Look, we are only giving you six months, and if you are good, we'll give you the next six months. If you are bad, we'll talk about it." I mean, that's really what this is saying to the members of ABAG. And I don't think it's fair. I mean these are our colleagues that sit on ABAG. They are elected officials, they work hard, just as we do. And you know, I work hard at ABAG, I work hard at MTC, I take what I do seriously, and I, [00:26:00] look around the table and I see a lot of us that sit on the same agencies, and we all do the same.

But these are our colleagues, and I don't see any reason other than to keep ABAG at the table to continue these discussions over this next six months. The reasoning for just giving the six-months funding and having said that this may have the opposite effect. ABAG might just say, "You know what, we are kind of tired of this." I mean, they went through it with the building. Commissioner here sat here and said, "If we build it, they will come." Well, ultimately they came, but it's not really what they wanted to do.

And I think there is a history of where we have tried to force ABAG's hand by bullying tactics, and, and I can't vote for that. And I'm not going to vote for it today. And I want to remind you that I started off saying, I have no problem talking about consolidation, but I do have a problem with bullying, and that's what we are doing.

Cortese: Okay, thank you, Commissioner Haggerty. So anyway, I'd encourage everyone to consider that we … Yes, I'll get to Commissioner [inaudible 00:27:19] next. We'll get that we have to either have a contract that comes up from, for renewal at a

point in time we may be making additional decisions, or we have to extend a contract for 12 months, which at this point I'd anticipate is well beyond when we will be coming back with recommendations for modifications to the planning arrangements. So, I'm not for delay, but that's again my position. Commissioners don't have to agree with that. Commissioner [inaudible 00:27:53]?

Tissier: I'm just wondering if there is a possibility of amending the amendment to work in just the reverse. Extend [00:28:00] it for a year, but in six months do a review. If MTC is not satisfied with the policies and procedures in line, they can make an adjustment to the budget, and then, you know, I mean, I think what we are saying here is, you are giving them six months, and at the end of six months if we don't like it, well, we won't give them the money. Well, if we had an agreement for an entire year, have that year there, but if you are going to have a six-months review, the purpose of the review is, if things aren't correct and, perhaps there is some different [factor 00:28:27].

So, I don't know if that's where you are going, Julie, but I mean if, the six-months review was to say, are we all happy with the policies and procedures? And if you're not, then what do we do then?

Cortese: Yes, Commissioner Pierce.

Julie: Yeah, I appreciate your comment and, and part of where you're going is what I agree with. Yes, we have a contract for a year. There is nothing to say that we can't report back in six months, and say how are talks about collaboration and unifying some of the work that we are doing is going, and what efficiencies we've come up with. But give us at least the security of knowing we've got the year, and then we'll work in good faith along with you to make things work more efficiently. That's what we are all about. That's our job here.

But this really is sort of holding it over our heads, about if you don't behave right, we are not going to give you the second six months. Well, I'm sorry, you did the audit, this says its contingent upon something, its contingent on us doing what you want us to do. And we are all in this together, we all have responsibility for plan Bay Area. We all have an interest in doing it far better than we did the last time.

The first time through you always learn something. We have learned a lot. I think our staffs are working far more efficiently than they were, but there are differences in the jobs that are done [00:30:00] by ABAG and by MTC, and so

they will not be 100% the same. And so I think it's really smarter to give us the full year, we'll check back in, in six months and say, this is how we have determined we can be more efficient with the use of the funding, if we indeed find those savings, but …

Tissier: I'm sorry, Commissioner Pierce, isn't that what Commissioner [inaudible 00:30:28] just suggested.

Julie: Not quite.

Speaker 5: I'm confused why you are ...

Julie: No, it was …

Tissier: [crosstalk 00:30:31] her suggestion.

Julie: No, if I understood what Commissioner [inaudible 00:30:36] said, she said check back in in six months, and then if we don't like it, we won't give them the money.

Cortese: In fact we can go back to, we can, we can go back to Commissioner [inaudible 00:30:44] to clarify her own suggestion, but what I think she is saying by reverse is, would you rather have us, condition the budget, the entire budget for ABAG for review in six months and leave the contract for 12 months. If that makes people feel better that the contract is for 12 months, but either way we are talking about a unilateral right by MTC to raise the, oh, to reopen the issue in six months. And, that's what I understand your recommendation is. Do we want to deal with it from the budget side rather than the contract side?

Tissier: Yes, except by, I guess ...

Cortese: [crosstalk 00:31:20] hear you wrong.

Tissier: Well, I guess what I'm trying to get at here is, you know, I think the reason for having this quote unquote auditor, look, see at the budgets is, is the transparency side. And what I'm gathering the reason, the original amendment was here as to give in six months take a look and make sure we are still transparent and the things were done in a transparent way. I mean, that's sort of how it struck me. But anyway, it was just the [crosstalk 00:31:47].

Pierce: That was not my understanding, Chair Cortese. My understanding was actually that the audit was done, we now have an answer on that audit, if you will. But what [00:32:00] Chair Cortese and I have been working on is how we can actually have the two agencies work more collaboratively together and more efficiently together. Not really on the budget are we spending the money properly, but how can we make ourselves more efficient as we go forward.

There has been some talk that all of the planning and research folks from ABAG should roll under MTC quite frankly. And I don't think we are anywhere close to that as a decision point yet. But funding as for a year, and continuing the talks of how we can work together more efficiently, I think makes a whole lot of sense, checking back in in six months to see what we've figured out about how we can work more efficiently, that's fine. And if we need to do a budget adjustment at the time, if we all think that's a good idea, that's fine. But I'm not going to assume automatically that's going to change.

Cortese: Commissioner [inaudible 00:33:04].

Spering: Thank you, Mr. Chairman. You know, I support the Chairman's motion but, you know, the real issue that is before us, and it's kind of the elephant in the room, nobody wants to talk about is that, we have two planning staffs, two executive directors, two processes there going that are in direct conflict. It is not working for the region, and it, it's what led us into the lawsuit that we had with BIA. You know, as a Chairman of the planning committee, I'm talking to our staff, it is dysfunctional. Our staff is being demoralized, I mean, there is a lot of things that are going on here. You know whether it's perceived real or whatever.

You know to me, if we are going to change the motion, then I will insist that we at least bring back to this commission, so the commission can make a decision whether you want to have two complete planning staffs, two executive directors [00:34:00] feeding into one plan with this. And you have really two conflicting, I think interests as you go forward. And it's just dysfunctional. And I think one way or another this commission has to say, "Yes, this arrangement is acceptable," or "No, it is not."

And, you know, from my perspective, it is not working, and we are the only MPO, and probably in the nation, and we are the only, regional agency that has these two separate planning operations. I think the discussion ought to be about what role will ABAG play in the approval of the plan? You know in SB 375, they have the authority or the responsibility to prove the plan. So how do we integrate that

in? And, I really think that as we are moving into the building, you know, I saw this motion as a trigger to force this discussion.

And from my perspective, as I said, as Chair of the planning committee, it's not something that we can continue to put aside, just can't say, we are not looking at ABAG's transparency at how they are spending the money. We all have confidence that they are doing the right thing hopefully and. But the real issue is the dysfunctional planning process we have right now. And it was very difficult, you can talk to any, you can talk to our staff, and even the ABAG staff that I've talked to, it was a very difficult process with very conflicting processes that is just not working, it's dysfunctional.

And so, that discussion has to take place. And, I don't want to be masked by this contract or whether we are going to fund them or not. This discussion has to be brought to this commission, and you really come up with some direction is what we want to do. And as we are moving into this new building, if we are going to consolidate the staff or however we are going to do it, this is the right time to have that discussion, not after we get into the building and we are bringing all of these organizations together. [00:36:00] So, Mr. Chairman, I support the original motion, if the make or the motion wants to modify it, but I really hope that we can bring this issue before this commission for discussion.

Cortese: Thank you, Commissioner. Anything else from the commission? Yes, Commissioner Weiner.

Weiner: Is that reversed?

Cortese: I'm sorry, I had you done, and I saw the light go off, so I thought you wanted to pass. Let me go to Commissioner [inaudible 00:36:26] first.

Campos: Thank you. I'm not going to say too much other than to simply say that I mean, I think it's, I know it's a sensitive issue and, I don't interpret the motion that Chair Cortese put forward as intended to in anyway be disrespectful to ABAG. I have colleagues that I serve with, all of you know, who are there and we have been working together.

I do see the motion as being more about maintaining the dialogue, having the conversations, especially around efficiencies, so it is in that spirit that I will be supporting that. I'm open to the comments, the changes from Commissioner [inaudible 00:37:15], but, it's not a personal attack in anyway, it's really about

trying to figure out how do we engage in these conversations, in these kinds of settings. That's how I see it.

Cortese: Thank you, Commissioner. Now Commissioner Wiener?

Wiener: I just want to associate myself with Commissioner [inaudible 00:37:38] remarks. I think I agree, yes, the transparency and the [inaudible 00:37:45] is important, and I agree that's it's probably all, you know, in a good place, even though there is always room for improvement for all of us, but I think these fundamental structural and government, governance issues are important, and I think it's a long overdue conversation. [00:38:00] And, and I just wanted to express agreement with those remarks.

Cortese: Yes, Commissioner [inaudible 00:38:08]. (Tissier)

Tissier: I'm going to, mine was just sort of the opposite, but it was the same thing you were talking about, but just in reverse. I'm going to pull that because I think what was missing in the discussion [that I miss 00:38:17] is I was not aware that the real issue, the elephant in the room was the two staffs and the two executive directors and things like that. So it sort of changes the picture of what, rather than what I was sort to alluding to. It was what I was thought was being interpreted, so thank you for that clarification, Mr. [inaudible 00:38:33].

Cortese: Commissioner Haggerty?

Haggerty: Yes, thank you, Mr. Chair. You know, the thing that I'm going to say is, I think it appears,I know where this is going. I know as a member of ABAG, I can tell you that some colleagues will be, I think insulted by this. And I think the fact that ABAG is not here, or most of the members aren't here, I think it's a shame we don't really get their input because they will be.

You know, I've been going to these meetings, I think we've had three now, been three days, three of four meetings that have been called, and I've showed up at every one. Sometimes I have to leave early based on scheduling but, I've sensed the willingness from everybody that, you know, are trying to sit down and have a good discussion about it. I'm not quite sure will it gets done in the next six months. And, and so that's why I just really don't understand where this is coming.

And I think that, you know, from being cooperative, I think during the six months is just the wrong message, and I think that to just give the funding for a year and then we spend the time. What we are talking about is a very big issue. It's very big. We've talked about bringing management consultants in and we've talked about, you know, having people look at how integration would work. [00:40:00] I mean, I think the discussion has been robust, but I also don't think that we can conclude in the next six months. So, I don't understand the purpose of the six months other than … I don't want to say it but, I just don't understand so.

Cortese: Okay. Well, I'm just going to reiterate that this is my best good faith business advice to the commission, and I'll tell you, by way of analogy, you know, I don't have a landscaper at my house, we are in a drought. And if my life partner said to me "Should we enter into a 12 month contract with a landscaper right now?" I would say absolutely not, because, well, I could be making significant changes to our front yard, okay.

So this is all I'm trying to recommend to the commission now that I am pushing as hard as I can with the ad hoc group to come to some resolution quickly. And the one thing that I think Commissioner Pierce and I agree whole heartily on and certainly just heard it from Commissioner Haggerty, is it's going to be a big task to try to come to some additional recommendations or some recommendations within six months. But that's what we're pushing for, that's what I'm pushing for. And knowing that I'm pushing recommendations in six months, I can't tell you enter into a 12-month contract. Okay, six month contract, take a look, see where we're at and then we'll talk about another six month contract at that time. That's the motion, I know I have a second from the vice chair. I'm going to call for the vote. All in favor signify by aye.

Reponses: Aye.

Cortese: Opposed

Reponses: No

Cortese: No

Cortese: Abstentions? Two no's. Abstentions? So we have the.

Reponses: Poor thing.

Cortese: That's and aye and a no.

Reponses: That's an ouch. That's an ouch.

Cortese: So the motion passes, let me ask the secretary the piece, I don't know the number in the quorum today. But we have two no's.

Secretary: Motion passes, with two no's by Haggerty and Pierce.

Cortese: Okay, thank you. Appreciate the discussion and we'll do our best to try to come back with something fruitful before the end of the year. Moving on now.

(End of transcript)

Page 18 of 19

###