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Memorandum

TO: Commission

DATE: September 18, 2015

FR: Executive Director

RE: Functional Consolidation of Planning Departments

This white paper has been prepared in response to Chair Cortese's memo dated July 16th in which he requested an analysis of the potential consolidation of the ABAG and MTC planning departments within the MTC organization. In general, this paper is structured around the six parameters for the potential consolidation that the chairman outlined in his memo to the commission. It also addresses the issues and concerns raised in multiple memos from ABAG President Julie Pierce and ABAG Executive Director Ezra Rapport. At the outset, I have included some background information that I thought was relevant to the commission's consideration of this issue.

Background

ABAG and MTC have worked together for over 40 years, often in harmony but sometimes at odds with each other. ABAG was founded first in 1961 and MTC came along a decade later. ABAG was established by the cities and counties of the Bay Area, at least in part due to a prevailing fear that the State Legislature would impose a stronger form of multi-purpose regional government upon those local jurisdictions. MTC's statutory creation in 1970 rose from the ashes of one of those failed Sacramento efforts at a broader regionalism. The thinking went that if the Legislature couldn't establish a truly broad-based regional institution, at least it could form a beachhead in the policy area of transportation.

My predecessor Larry Dahms reports that the funding relationship between MTC and ABAG had already been established by the time he arrived in 1977. Of course, the two agencies were domiciled together and have been ever since. In those early days, the executive directors would meet annually in their offices at the Claremont Hotel to determine the scope of work for ABAG planning assistance to MTC and the consequent fee for that service MTC would pay. These negotiations often became quite contentious until -- in the late 1980's -- the parties established a formula-based funding arrangement that survives in modified form to this day. The ongoing formula took the place of the annual negotiation, and removed at least one irritant from the relationship.

For most of our joint history, the nature of the planning work that ABAG did for MTC was very much sequential and at arm's length. ABAG would provide demographic projections of population and employment growth which MTC would later use in its long-range transportation planning and travel forecasting, including in the now quadrennial adoption of the Regional Transportation Plan (RTP). There was a clear division of responsibility, and the flow of work was very much a one-way street.

As Chair Cortese stated in his memo, "SB 375 has changed all that." What had once been a sequential planning process became an iterative one. What had once been a transportation plan reacting to past trends became a kind of integrated regional growth strategy in which the RTP attempted to influence as well as respond to the pressures of change. And what had once been a plan adopted developed and adopted by one agency became a Sustainable Community Strategy (SCS) prepared by two.

There have been numerous bumps along this new road. We can start with the fact that MTC and ABAG have no other example to follow, because in every other metro area in California SB 375 is being implemented by the metropolitan planning organization (MPO) alone. We can add the fact that the two planning departments doing the lion's share of the work hail from very different organizations. At the risk of generalization, I think it is safe to say that MTC is more action-oriented and project-based, while ABAG is more discussion-focused and policy-based. Neither of these orientations is necessarily good or bad, but they are different.

Unfortunately, these different organizational styles were more than a nuisance in the development of Plan Bay Area. The plan was adopted several months late and at far greater cost than we expected. Some of this you might chalk up to the novelty of adopting the Bay Area's first SCS. But as a veteran of the countless bilateral meetings between our two agencies, I can attest that we simply spent too much time arguing over matters ranging from high-level policy to low-level minutia because there was no ability to break ties other than by one agency bowing to the other's point of view.

Nonetheless, I don't think it's an indictment of either organization that our maiden voyage on the seas of integrated transportation and housing planning was so choppy. It's probably inevitable that two staffs with such different origins and orientations would have such a rough go of it. Fortunately, the fact that MTC financed the entire enterprise -- while frustrating at the time -- also contains the seeds of a different approach to designing Plan Bay Area 2040. That different approach can be boiled down to this single question: What if MTC paid for one planning department instead of two? The following sections of this paper respond to the six parameters for our analysis established by Chair Cortese.

1. **A single planning department of MTC and ABAG consolidated with the MTC.**

The current bifurcated structure between the MTC and ABAG planning departments leads to significant duplication and missed opportunities to serve the needs of the Bay Area and its local communities. MTC and ABAG staff meet on an ongoing basis in an attempt to get on the same

page. But efforts to coordinate across the agencies are time consuming and inefficient and stand in sharp contrast with the unified staffing structure that exists in every other major metropolitan region in California. A consolidated planning department incorporating staff from both existing departments could provide more support and technical assistance for cities and counties, clearer communication and coordination with local and county-level jurisdictions including Congestion Management Agencies (CMAs), and an improved ability to provide action-oriented recommendations on key topics facing the region now and in the future.

The role of staff in the integrated regional planning department would be analogous to the role of local planning departments with staff supporting both a Planning Commission and a City Council or Board of Supervisors. Moreover, this is not MTC's first foray into the realm of consolidated staff functions or serving multiple boards:

- Prior to 2012, MTC's current Planning Director served for several years as ABAG's Director of Planning and Research, building upon prior local jurisdictional level work related to land use, housing, land conservation, TOD and transportation-related issues.

- In 2014, MTC and ABAG consolidated analytical modeling teams into a single unit housed at MTC. Specifically, a former ABAG staff person responsible for developing, maintaining, and applying ABAG's simulation model of land development activity joined MTC's Analytical Services Unit – a part of MTC's Planning Section. Functionally, this team operates as a service bureau to both MTC and ABAG.

- Over the course of MTC's existence, the Commission has been designated either by statute or its own action to wear multiple hats as SAFE, BATA, BAIFA and BAHA. A single MTC staffing structure serves all of these independent boards without the duplication inherent in the ABAG relationship.

In addition, MTC has a long history of linking regional planning and effective technical assistance in support of local communities. Launched in 1997, our award-winning Transportation for Livable Communities (TLC) program funded numerous transit-oriented development projects around the region in all shapes and sizes. MTC also played a key role in the development of the FOCUS Program and the Priority Development Area (PDA) and Priority Conservation Area (PCA) framework. MTC's PDA planning and technical assistance efforts have served dozens of local jurisdictions seeking to plan their PDA neighborhoods as complete communities. The trail-blazing One Bay Area Grant (OBAG) program recognizes the significant challenges faced by local communities seeking to provide housing opportunities by providing incentives to those jurisdictions working to address the region's housing shortage The proposed integration of the MTC and ABAG planning departments is a structural change that would build upon these and other innovative planning efforts that MTC has implemented to date, and broaden the agency's portfolio toward the integrated approach that is central to SB375.

With that past history as prologue, let's move on to examine the proposal on the table in more detail. To efficiently serve the nine-county Bay Area and the region's 101 cities, an integrated

regional planning department serving the policy boards of both MTC and ABAG would be established and consolidated within the management structure of MTC. The department would be supported by the following five units: *Regional Planning and Policy, Local Planning and Implementation, Equity and Sustainability, Data and Analytical Services and Economic Development.* A proposed outline of the responsibilities of each of the five units is as follows:

Regional Planning and Policy
The Regional Planning Unit would be responsible for guiding the development of Plan Bay Area (Regional Transportation Plan/Sustainable Communities Strategy); performance monitoring related to the Plan as well as ongoing performance monitoring efforts such as Vital Signs; the Regional Goods Movement Plan; major studies such as the Core Capacity Transit Study that address how job and housing growth can be supported through near- and long-term transportation investments; and regional policy development and analysis – a regional research agenda on high-priority policy issues affecting the Bay Area including transportation, land use, tax policy, and the regional economy.

Local Planning and Implementation
The Local Planning and Implementation Unit would provide planning support to cities and counties; bicycle and pedestrian planning technical assistance; housing policy and housing element technical assistance; PDA grants and technical assistance; technical workshops; coordination of PDA nominations and implementation; and facilitation of the Regional Housing Needs Allocation (RHNA) process. This unit would include liaisons to engage directly with cities, counties and individual communities as appropriate. This engagement would strengthen the link to local agencies related to important policy areas and related to the development and implementation of Plan Bay Area and other major plans and initiatives. The integrated planning department would host and provide ongoing support to the Bay Area Planning Directors Association and organize regular workshops and gatherings. In particular, the unit would include staff designated to better serve and address the considerable planning needs of job clusters such as Silicon Valley given the South Bay's large population, expected growth, and outsized role in the region's economy.

Equity and Sustainability
The Equity and Sustainability Unit would be responsible for various equity analyses and programming as well as the Climate Initiatives Program and resiliency efforts, in partnership with regional stakeholders and partner agencies including ABAG, the Bay Area Air Quality Management District (BAAQMD) and the Bay Conservation and Development District (BCDC). The unit would also coordinate Priority Conservation Area nominations, implementation and funding.

Data and Analytical Services
The Data and Analytical Services Unit would offer and leverage a broad range of analytical services related to land use and transportation modeling; housing, jobs and population forecast; and, provide a data service bureau offering local jurisdictions and the public with access to

regional data and research. This unit would be structured to serve the consolidated planning department as well as partner agencies, CMAs, and local governments.

Economic Development
Building upon the Bay Area Council Economic Institute's Regional Economic Strategy and the Bay Area Prosperity Plan, this unit would coordinate a unified and equitable approach to regional and sub-regional economic development in the Bay Area. The work would be in coordination with the business community, local governments, and regional and sub-regional economic development entities, and could advance efforts related to the creation of a Regional Economic Development District as discussed with the Joint MTC Planning and ABAG Administration Committee in July. A Regional Economic Development District would make the Bay Area more competitive for federal economic development funding and assist with sub-regional economic development efforts that build upon the strength of the region's diverse communities and workforce. Emerging sub-regional economic development efforts such as the Northern Waterfront Initiative in Contra Costa County could benefit from this strategic focus on economic development.

The benefits of the integrated regional planning approach would include the following at a minimum:

- Uses taxpayer dollars more efficiently by speeding up internal processes and improving the quality of external communications;
- Strengthens the development of a more comprehensive plan by integrating staff expertise on transportation, housing, economic development, and sustainability;
- Creates a "one-stop-shop" for effective technical assistance to local governments by providing expert planning services and data sharing;
- Better connects regional funding opportunities to local land use plans and projects along the lines of TLC and OBAG;
- Facilitates local elected officials, business leaders, and other key stakeholders speaking with a more unified voice on the most important state and federal policy issues affecting the Bay Area's future; and
- Bolsters staff resources on policy development and analysis to foster a more comprehensive approach to the region's legislative advocacy agenda.

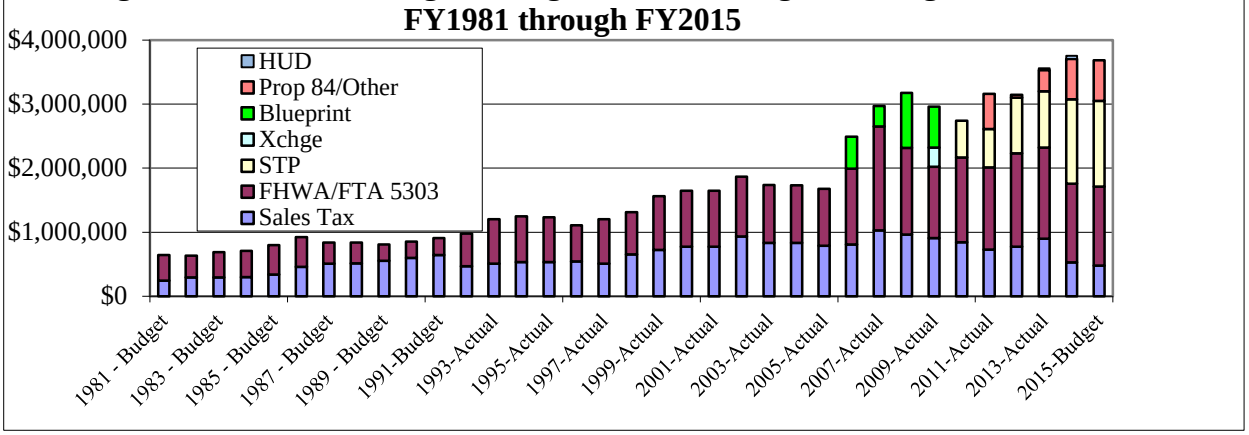
2. An organizational chart that would have the MTC planning director oversee the consolidated planning department while continuing to report to MTC's executive director.

To illustrate the consolidation proposal, Appendix 1 shows the current 24 person MTC Planning Section highlighted in red, the current 15 person ABAG Planning and Research Department highlighted in red, and a consolidated planning department that would have the MTC Planning Director oversee the 39-person integrated regional planning unit while continuing to report to MTC's executive director.

3. **A funding relationship between ABAG and MTC that would have MTC retain the bulk of the $4 million in federal and state planning funds that it currently transfers annually to ABAG to be used to pay for the cost of the larger scaled single planning staff and functions.**

While MTC and ABAG have a funding relationship that dates back to the 1970s, MTC's financial records only date back to the early 1980s. Figure 1 below shows the funding transfer to support ABAG planning from FY1980-81 through FY2014-15, with a low of approximately $600,000 in the early years and a high of nearly $3.8 million in FY2013-14. Note that this chart doesn't include more recent transfers related to MTC assuming the cost of tenant improvements (TIs) for ABAG at 375 Beale Street in San Francisco. Those TIs will end up costing MTC $4.2 million.

Figure 1. ABAG Planning Funding Provided through MTC Agreement, FY1981 through FY2015



For most of our agencies' history, the funding transferred from MTC to ABAG was governed by a formula. Most recently and until the current multi-year funding framework was approved in 2012, the formula was comprised of the following percentages of MTC planning funds: 10% Transportation Development Act sales tax planning funding; 15% Federal Highway Administration (FHWA) planning funds; and 7.5% Federal Transit Administration (FTA) planning funds. As shown in Figure 1, there were swings in the funding and some volatility in this approach as the sales tax and federal planning funds ebbed and flowed.

The current level of MTC funding fully supports 15 ABAG planning staff, a portion of the cost for 5 additional staff as well as the executive team, their associated overhead costs, and modest consulting and travel expenses. It's worth noting that MTC funding to ABAG has more than doubled over the last decade, with an increase of 116%. During that same period, ABAG's membership dues increased by roughly 30%. ABAG's membership dues currently are roughly half the size of MTC grant funding ($1.9 million) and those dues constitute only 7% of ABAG's total budget.

Turning to the MTC planning team, it is currently comprised of a staff of 24 employees costing roughly $6 million in FY2014-15. As shown in Figure 2, the cost had hovered closer to $5 million for the three-year period ending in FY2013-14, but consolidation of the analytical services unit within MTC plus other organic growth led to higher costs in FY2014-15.

Figure 2. MTC Planning Section Staff Costs

Year	Salaries	Benefits	Overhead	Total*
FY 2011-12	$1,609,132	$1,312,556	$1,478,521	$4,400,209
FY 2012-13	$1,557,031	$1,255,305	$1,399,308	$4,211,644
FY 2013-14	$1,732,610	$1,393,114	$1,780,120	$4,905,844
FY 2014-15	$2,102,055	$1,669,866	$2,167,883	$5,939,804

* Does not include temporary staffing.

Under the proposal described here, the nearly $4 million that is part of the MTC/ABAG funding agreement would be combined with the $6 million in funding for the MTC Planning Section to pay for the 39-person integrated planning department.

In addition to the employee compensation issues discussed below, MTC would be responsible for any overhead and future pension liabilities associated with the increased staffing. The potential overhead increase associated with the 15 ABAG planners, based on MTC's current approved rate, would be on the order of $1.4 million. In addition, there would be an increase to other post-employment benefits (OPEB) contributions of approximately $200,000 annually.

Figure 3 below compares actual annual expenses – through the inter-agency agreement – to potential annual expenses for MTC under the proposed consolidated planning department. As you can see, the bottom line figures are roughly the same, with a modest $0.1 million increase to account for some increases in salaries, benefits, overhead, and OPEB responsibilities.

Figure 3. Current and Future MTC Expense Comparison

Expense	In Million $	
	MTC/ABAG Interagency Actual	Consolidated Planning Department
15 Planners Salaries and Benefits	$2.1	$2.4
15 Planners Overhead	$1.1	$1.4
Other Planning Staff and Overhead Costs	$0.7	N/A
OPEB	Included in benefits above	$0.2
Total	**$3.9**	**$4.0**

For ABAG, the remaining unreimbursed near term cost would be $1.5 million as detailed in Figure 4. More detail on the pension liability analysis is included in Appendix 2.

Figure 4. Expense and Revenue Changes for ABAG under the Proposal

Expense	Change	Net Budget Impact, Million $
15 - Planners Salaries and Benefits	The cost and revenue for the planners are eliminated.	$0
15 - Planners Overhead	The overhead cost for the planners previously billed to MTC remains at ABAG but the revenue is eliminated.	$1.1
Other Planning Staff and Overhead Costs	The overhead and direct costs for the other planners and executive staff remain, but the revenue is eliminated.	$0.7
Annual Pension Cost	PERS cost reduced proportionately; ABAG is relieved of the OPEB liability for the 15 Planners.	-$0.3
	TOTAL	$1.5

We discuss potential strategies to mitigate this financial impact in the next section. It is worth noting at the outset that this $1.5 million financial impact represents about 6% of annual ABAG revenue.

4. A retention policy that would require MTC to offer employment opportunities to ABAG planning staff at commensurate salaries and benefits.

There is a recent precedent for consolidating functions within MTC and offering commensurate employment opportunities to employees who had the responsibilities under another public agency. The example dates to July 2005 when Governor Schwarzenegger signed AB144 and transferred all financial and certain project oversight responsibilities for the toll bridge seismic retrofit program from Caltrans to the Bay Area Toll Authority (BATA). As such, BATA became responsible for an $8.7 billion toll construction program, as well as over $500 million in annual operating revenue beginning in 2007. This significant transfer of responsibility required a change in the MTC/BATA operating structure. Specifically, a total of 17 new positions were needed to meet the toll accounting workload that was shifted from Caltrans to MTC. MTC and Caltrans agreed on a process to allow for an orderly transition of Caltrans employees that chose to seek employment at BATA. Employees not wanting to apply remained at Caltrans and were shifted to other positions; there were no layoffs of Caltrans employees as a result of the transition.

We learned some lessons from the Caltrans experience. MTC staff would recommend a similar but slightly modified process for the ABAG planning consolidation. The primary proposed adjustment would be to forego an open recruitment process as this was confusing and unsettling for all employees involved as well as inefficient from a business process standpoint. Instead, all ABAG Planning and Research employees would be offered a “right of first refusal” for MTC positions doing similar work as they currently perform. The process, in broad strokes, would be as follows:

- MTC would no longer provide planning funding for ABAG (except for transition funding described below) and would instead retain the funds to pay for the same functions and scope of work within a consolidated planning department at MTC.
- ABAG would therefore separate the affected employees and MTC would create planning positions and offer these to interested ABAG separated staff. MTC and ABAG would work together to time these events to best ensure the ABAG staff move smoothly from one agency to the other.
- In terms of compensation and benefit packages, MTC would determine the classification level and salary grade for each MTC position that most closely matches each planner's current ABAG salary. MTC's salary package is superior and our benefits package is similar although not identical to ABAG's, as described in more detail below. We would recommend that, for the most part, MTC's benefit package would be offered to ABAG employees. Potential exceptions, similar to the toll accountant example, would be adjustments to vacation and sick leave accrual balances to recognize the tenure of ABAG staff.

Should an ABAG staff person decline the "right of first refusal" MTC offer of employment, we would assess whether to move immediately to an open recruitment or to defer the recruitment to better understand the resources needed within the consolidated planning function. The MTC Planning Director and Executive team would determine the best course of action on a case by case basis. In parallel, ABAG could attempt to identify other funding or employment opportunities for such employees at ABAG.

We recommend that the Commission adopt a general principle that no ABAG employee would be harmed financially in terms of compensation and benefits, should they choose to accept MTC's offer of employment. We note that MTC cannot continue employee Social Security contributions as MTC did not opt for that plan in its CalPERS structured pension plan, therefore additional accrual of years of service in the Social Security system would cease upon an employee's transfer to MTC. However, due to the fact that ABAG employees would no longer be contributing to the social security portion of FICA, there would be a modest gain in net pay to transitioning ABAG employees.

As illustrated in Figure 5, MTC's salaries and benefits in aggregate are substantially higher (about 35% on average for salaries only) than ABAG's for equivalent job titles. Appendix 3 provides a detailed summary comparison of the major benefits for both ABAG and MTC employees. There are more similarities than differences in the benefit packages. However, in some cases, ABAG employees have a lower cost share toward their pension and health benefits which is out of line with both private and evolving public sector standards. Nonetheless, the higher MTC pay scale would offset any additional contributions toward benefits.

In sum, it appears that MTC should be able to provide a fair and attractive compensation package within the roughly $3.9 million that currently supports the ABAG Planning and Research team via the inter-agency agreement. In fact, it appears that the cost of shifting these positions to MTC would be on the order of $2.4 million annually. The roughly $1.5 million difference between the

cost of salaries and benefits for the current ABAG Planning and Research team ($2.4 million) and the amount currently provided to ABAG annually ($3.9 million) raises a few additional issues: 1) MTC has provided significant funding for ABAG overhead, estimated at about 45% of salary and benefit costs, or roughly $1 million annually; 2) MTC has supported some staffing in the ABAG Communications and Earthquakes departments that are not integral to the functional consolidation of the planning departments; and 3) MTC has provided direct financial support for a portion of ABAG executive staff.

On the first issue, the overhead paid through the inter-agency agreement supports various staff functions that would be retained at ABAG under the proposed consolidation of planning departments at MTC. We would suggest a short-term transition for this funding to avoid undue financial hardship and to allow ABAG time to identify replacement funds for the long-term. This MTC transition funding in combination with its own $2.8 million in unrestricted reserves (based on ABAG's FY 2013-14 audited financials) should provide ABAG the needed glide path.

On the second issue and third issues, in addition to MTC funding of $0.4 million for communications and earthquake resiliency work and executive staff direct time, BATA also supports staffing for the Bay Trail through bridge tolls in the amount of $0.7 million per year. While there is a case to be made that these related staff functions could also transition to MTC--especially since the Bay Trail is a major bicycle/pedestrian element of the regional transportation network--we are recommending a conservative approach limited to staff that are integral to a consolidated planning department for the development of the SCS and related local and regional planning efforts. Therefore, we propose that ABAG would assume full funding responsibility for communications, earthquake and executive staff in the long-term. BATA would continue to support the Bay Trail staff employed by ABAG.

Finally, a noteworthy difference between the two agencies is that the ABAG planning department is represented by the SEIU Local 1021 collective bargaining unit. MTC has a Committee for Staff Representation that negotiates a multi-year memorandum of understanding with management. Staff has consulted with Meyers Nave, outside labor counsel, which does not see any impediment to the proposal before you from a labor law perspective. As noted earlier, we successfully transitioned 17 SEIU-represented Caltrans toll accountants from state service to MTC employment a decade ago.

Like any other grant funder of ABAG, MTC has complete discretion over whether to continue or discontinue its financial assistance. This proposal goes considerably beyond that fundamental fact by featuring a retention policy that will ensure uninterrupted employment for all ABAG planners willing to make the transition to the new integrated planning department at MTC.

Figure 5. Comparison of ABAG and MTC Compensation (Salaries and Benefits) for Planning Classifications

ABAG				MTC			
Job Title	Base Pay Range	Benefit Range* (50%)	Total Pay and Benefit Range	Job Title	Base Pay Range	Benefit Range* (50%)	Total Pay and Benefit Range
Principal	$99,440 - $122,407	$49,720 - $61,203	$149,160 - $183,610	Principal Planner/ Analyst	$128,848 - $171,672	$64,424 - $85,836	$193,272 - $257,508
Senior Regional Planner/Analyst/ Environmental Specialist	$79,593 - $106,671	$39,796 - $53,336	$119,389 - $160,007	Senior Planner/ Analyst/ Program Coordinator	$110,611 - $141,591	$55,306 - $70,796	$165,917 - $212,387
Regional Planner/ Environmental Specialist III	$72,438 - $88,059	$36,219 - $44,029	$108,657 - $132,088	Associate Program Coordinator	$90,341 - $115,644	$45,171 - $57,822	$135,512 - $173,466
Regional Planner/ Environmental Specialist II	$60,280 - $73,266	$30,140 - $36,633	$90,421 - $109,899	Assistant Planner/Analyst or Program Coordinator	$78,358 - $100,305	$39,179 - $50,153	$117,537 - $150,458
Regional Planner/ Environmental Specialist I	$52,527 - $57,989	$26,264 - $28,994	$78,791 - $86,983	Junior Planner/Analyst or Program Coordinator	$67,960 - $86,994	$33,980 - $43,497	$101,940 - $130,491
Administrative Secretary or Planning Aide	$47,562 - $50,236	$23,781 - $25,118	$71,343 - $75,354	Admin/Tech	$55,994 - $71,677	$27,997 - $35,839	$83,991 - $107,616

* Estimate

5. **A reporting and approval structure to elected policy makers that would continue to require the work product of the consolidated planning department to be approved by the joint MTC Planning/ABAG Administrative committees and, as per past practice or legal requirement, by the MTC commission and ABAG executive board.**

The proposal outlined in this memo does not alter the role of the elected policy makers of ABAG or MTC. Using the major milestones of the Sustainable Communities Strategy for illustration, Figure 6 demonstrates that the MTC Commission and ABAG Executive Board would retain their authority unchanged. The only difference is that the staff work would be conducted by the integrated planning department. Given the committee-based structure of both boards, the main point of contact for the consolidated planning department would be the joint MTC Planning/ABAG Administrative Committee. That joint committee already is fairly well integrated itself: a quorum of the MTC Planning Committee is composed of Commissioners who also serve on the ABAG Administrative Committee.

Figure 6. Proposed Decision-Making Roles under the Proposal

Major Tasks	Decision-Making		
	MTC Planning Committee & ABAG Administrative Committee	Executive Board	Commission
	Joint	ABAG	MTC
1. Policy Element			
Goals	☑	☑	☑
Performance Targets	☑		☑
2. Regional Forecasts			
Population/Employment/Housing Forecasts	☑	☑	
Transportation Revenue Forecast	●		
3. Project Performance			
Call For Projects	●		
Project Performance Assessment	☑		☑
Operations & Maintenance Needs Assessment	●		
4. Scenario Analysis			
Define & Evaluate Scenarios	☑	☑	☑
Adopt Preferred Scenario [Land Use Distribution+ Transportation Investment Strategy]	☑	☑	☑
5. Draft and Final Plan			
Draft EIR	☑	☑	☑
Draft Plan	☑	☑	☑
Air Quality Conformity Analysis	☑		☑
Final EIR	☑	☑	☑
Final Plan	☑	☑	☑

● Input/Information
☑ Action/Decision

The mechanism for formalizing the staff support to both boards could occur through adoption of an MTC resolution that clearly sets forth the work program and staff support principles. After consultation with ABAG, the resolution could be adopted annually and identify work products of

the integrated planning department that would support the ABAG Executive Board and its SCS and related planning responsibilities, as detailed in Figure 7. The annual resolution would set forth a structure under which the consolidated planning department would provide service to the ABAG Executive Board with clear expectations and milestones.

6. The existing statutory authority of the MTC commission and ABAG executive board would be respected and maintained.

As discussed above, there are some planning responsibilities that MTC and ABAG share and some that each entity is solely responsible for by statute. MTC is responsible for the region's long-range transportation plan per state and federal law; ABAG is responsible for the Regional Housing Needs Assessment (RHNA) per state law; and MTC and ABAG jointly share responsibilities in the preparation of the Sustainable Communities Strategy under state law. The highlights of these primary responsibilities include:

- ***Regional Transportation Plan***: The RTP is a road map to guide the region's transportation development for a 25-year period. Updated every four years to reflect changing conditions and new planning priorities, it is based on projections of growth in population, employment and travel demand coupled with financial assumptions. No transportation project in the region can qualify for state or federal money unless it is found to be consistent with regional goals, and thus included in the RTP. Also, directives contained in federal transportation and clean air legislation require that the RTP include only those projects that the region can afford and that, taken as a whole, the projects included in the plan must help improve air quality.
- ***RHNA:*** Pursuant to the Housing Element Law at California Government Code§§ 65580, et seq., ABAG as the Council of Governments in the Bay Area along with the California Department of Housing and Community Development (HCD) are required to determine the existing and projected housing needs for the region. ABAG determines each city's and county's share of the regional housing needs through the regional housing need allocation process (RHNA) unless through Government Code Section 65584.03 local governments have formed a subregion to perform RHNA for themselves. For the years between 2014 and 2022, RHNA specifies the number of housing units for which each jurisdiction must plan in order to meet the region's housing need at all levels of affordability. To better connect plans for housing and transportation, the RHNA must be consistent with the development pattern in the Sustainable Communities Strategy.
- ***Sustainable Communities Strategy:*** SB 375 (Steinberg, 2008) requires that each metropolitan planning organization in California prepare and adopt a Sustainable Communities Strategy (SCS). In the Bay Area's case, there is a unique section in the law that assigns responsibility for preparing the various elements of the plan to either MTC, ABAG or both, based on the traditional roles each agency has historically performed. Figure 7 summarizes that particular section of SB 375 (Government Code 65080 (b)(2)(B)), how it applies to the Bay Area, and how the existing statutory authority would be maintained for each agency under the consolidated planning model proposed herein:

Figure 7. SB375 Implementation: Current and under the Integrated Regional Planning Section Proposal

Government Code 65080 (b)(2)(B) subsection	Current Agency Responsible	Under Proposal	
		Planning Approach	Board Oversight
(i) identify the general location of uses, residential densities, and building intensities within the region	ABAG	Integrated Planning Department	ABAG
(ii) 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	ABAG	Integrated Planning Department	ABAG
(iii) identify areas within the region sufficient to house an eight-year projection of the regional housing need for the region pursuant to Section 65584	ABAG	Integrated Planning Department	ABAG
(iv) identify a transportation network to service the transportation needs of the region,	MTC	Integrated Planning Department	MTC
(v) gather and consider the best practically available scientific information regarding resource areas and farmland in the region as defined in subdivisions (a) and (b) of Section 65080.01	ABAG	Integrated Planning Department	ABAG
(vi) consider the state housing goals specified in Sections 65580 and 65581	ABAG	Integrated Planning Department	ABAG
(vii) 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 state board;	MTC and ABAG	Integrated Planning Department	MTC and ABAG
(viii) allow the regional transportation plan to comply with Section 176 of the federal Clean Air Act (42 U.S.C. Sec. 7506)	MTC	Integrated Planning Department	MTC

Conclusion

There are certainly alternatives to the functional consolidation described above, although I strongly believe that the status quo should not be one of them. So, in terms of potential remedies to the present dysfunction of our regional planning enterprise, what follows is a brief summary of three alternative courses of action:

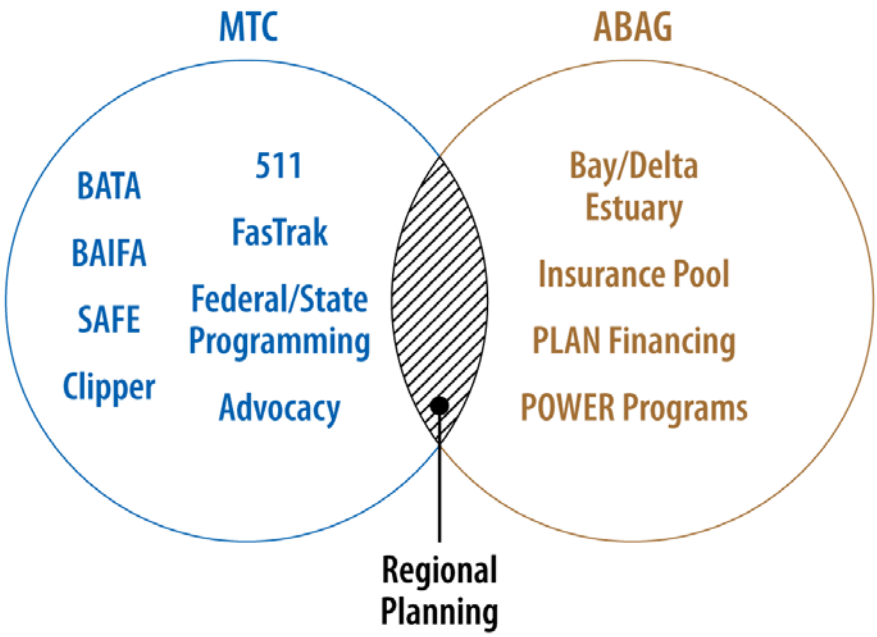
- SB 375 Statutory Change – A single planning department nested within MTC but serving both the MTC Commission and ABAG Executive Board would streamline SCS development and implementation at the staff level. But it would still preserve the unique Bay Area arrangement under which SCS development is supervised by two separate boards. What happens if the two boards disagree? Wouldn't it make more sense for only the MPO to adopt and update Plan Bay Area, as is the case in every other metro region in California? To eliminate ABAG's role altogether in the preparation of Plan Bay Area would require amending state law, which always entails the risk of unintended consequences. It also would ignore the fact that – unlike all those other California MPOs – MTC does not serve as the Council of Governments for the Bay Area. ABAG does.

- ABAG Retains RHNA Staffing – The functional consolidation described above assumes that the new regional planning department would be a full-service operation for both MTC and ABAG, which means that it would staff the quadrennial Regional Housing Needs Allocation (RHNA) process. An alternative arrangement would be for ABAG both to staff *and* adopt RHNA. While State law requires MTC and ABAG to jointly prepare the SCS, MTC has no statutory role in adopting RHNA. In addition, the law requires that RHNA be consistent with the SCS, not the other way around. Thus, it appears workable that ABAG could staff the RHNA process as a stand-alone activity apart from the consolidated planning department. No matter which agency staffs RHNA, a key workload variable will be how many counties accept delegation of the intra-county negotiation among cities for allocating housing need. In the 2013 RHNA cycle, three counties – Napa, San Mateo and Solano – conducted this brokering process instead of ABAG. A fourth county – the City and County of San Francisco – essentially falls into the same category since the county and city boundary are coterminous. If more counties pursue the delegated path in the 2021 RHNA cycle, there will be even less work for any regional staffing function to perform.

- Institutional Merger – Of course, the most often discussed alternative to the current bifurcation of the MPO and COG function in the Bay Area is to merge MTC and ABAG into a single agency. Unlike the first alternative regarding SB 375, a change in state law would be required for MTC as a statutory entity, but would be insufficient to accomplish a full merger because ABAG was formed by voluntary act of Bay Area local governments. What the State Legislature did not create it cannot abolish. Thus, a merger also would require ABAG's consent. Past efforts to merge MTC and ABAG typically have fallen apart over which elected officials would sit on the successor board. ABAG has a much larger board than MTC, and it is difficult to conceive of a way to reconcile that disparity without defaulting to the larger size. And a 38-member MPO board could

become extremely unwieldy in attempting to conduct the diversified and complex $2 billion a year business that MTC currently oversees. In any event, a full institutional merger "over-solves" the problem of dysfunction between the two regional planning departments. The remaining functions that MTC and ABAG perform really have little to do with the other agency, as shown in the Venn diagram in Figure 8.

Figure 8
Regional Planning Overlap



Having reviewed these alternatives, I would recommend that the Commission consider the second alternative but reject the first and third. It may just be that the functional consolidation model is a bit like how Winston Churchill described democracy – it's the worst form of government, except for all the rest.

In concluding this analysis, let me say a word or two about timing. This item is before the Commission for information only in September. I fully expect that commissioners will have plenty of questions and concerns. If staff can respond to those issues in time for an action item at your October meeting, that would provide only a two-month implementation window prior to the end-date of our current funding agreement with ABAG on December 31, 2015. Accordingly, if the Commission chooses to proceed with the functional consolidation model as generally described above, it may be necessary to extend the ABAG funding agreement for another few months in order to assure as smooth a transition as possible.

Let's also keep in mind that both agencies are scheduled to move to 375 Beale Street in San Francisco early in 2016. And the action really heats up on Plan Bay Area 2040 work next year. In short, there is a lot on our plates. Nonetheless, we should never be too busy to improve the way we conduct the public's business.

Steve Heminger

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APPENDIX 1

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Matthew Lavrinets

Ron Ceguera

204 Positions

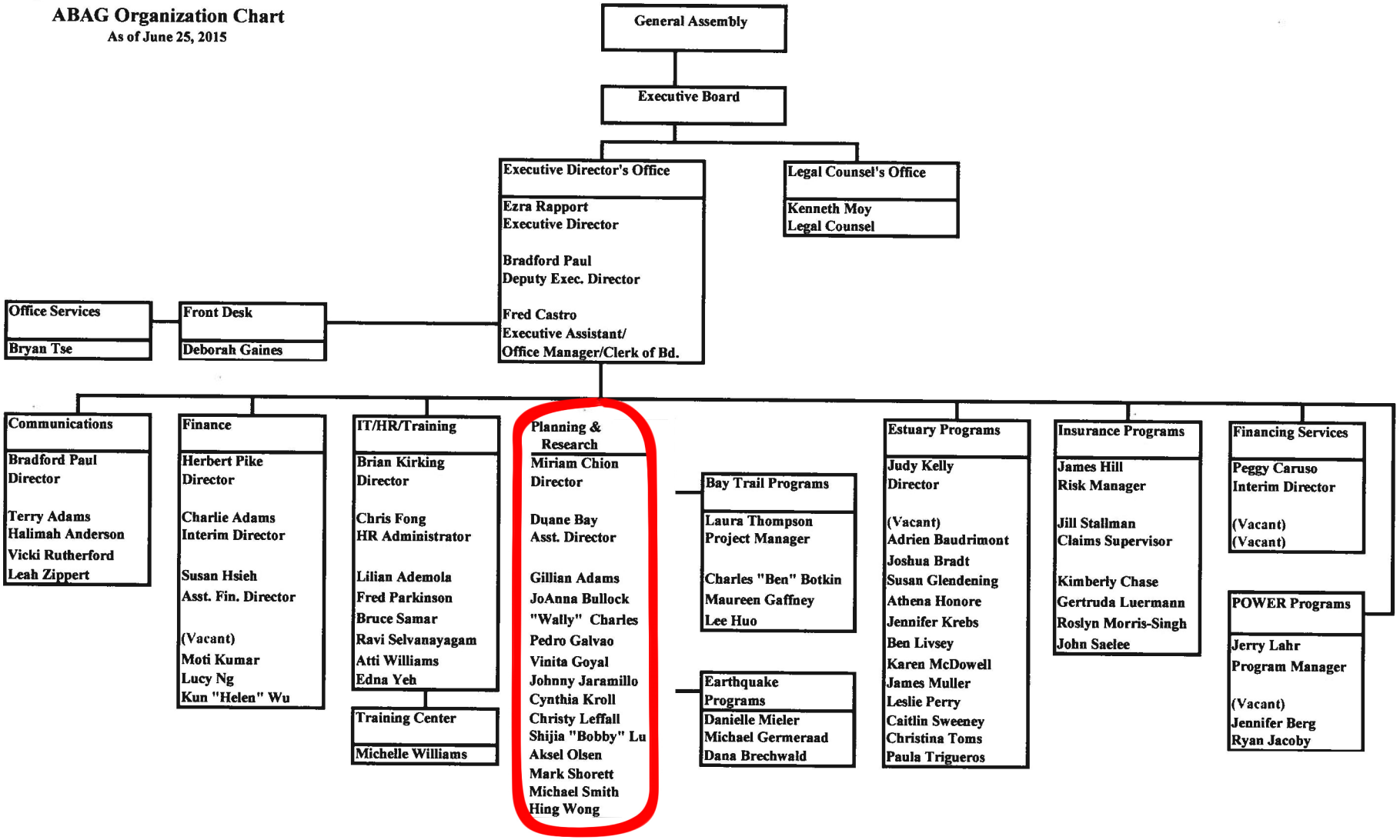
* Advises Commission Directly

Steve Heminger
Executive Director

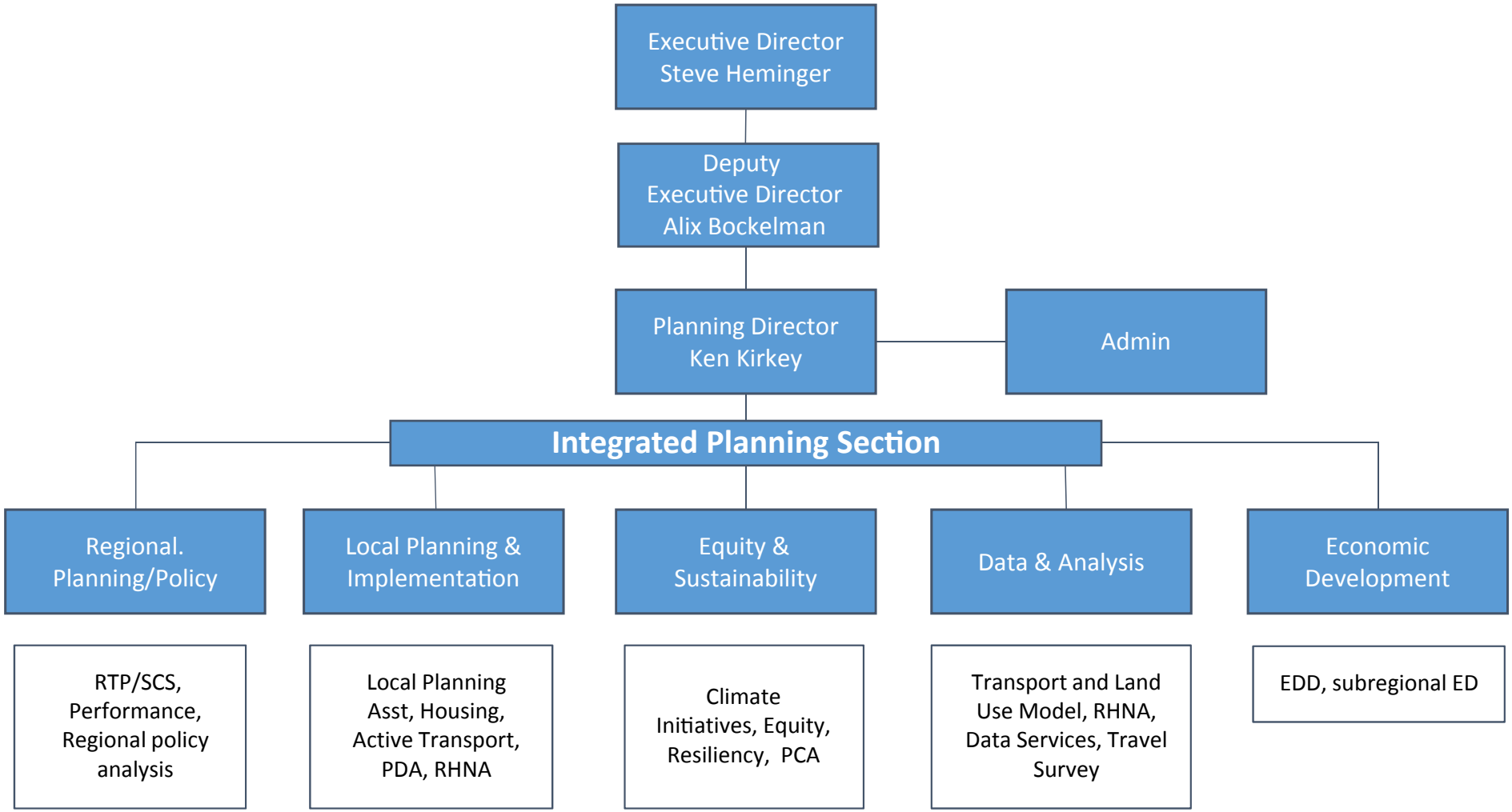
APPENDIX 1

ABAG Organization Chart

As of June 25, 2015



Integrated Regional Planning



Annual Pension Cost

- Annual pension cost should be reduced by $250,000
- PERS and OPEB costs will be reduced proportionate to the reduction in payroll and staff
- Only the unfunded liability will remain
  - The liability belongs to ABAG
  - The amount is passed as a fixed amount
- The rates will go up as payroll goes down but the cost will actually be lower

Annual Retirement Costs			
PERS*	Current		Adjusted
Normal	$ 637,442		$ 531,202
Unfunded Liab	1,085,876		1,085,876
Total PERS	$ 1,723,318		$ 1,617,078
OPEB**	869,000		724,167
Total Retirement	$ 2,592,318		$ 2,341,244
Payroll	$ 7,030,356		$ 5,858,630
Rate			
Pers			
Normal	9.07%		9.07%
Unfunded Liab	15.4%		18.5%
Total Pers	24.51%		27.60%
OPEB	12.36%		12.36%
Total Retirement	36.87%		39.96%
Annual Savings			
Pers			$ 106,240
OPEB			144,833
Total Savings			$ 251,074

*Source: ABAG CALPERS Actuarial Valuation Report , FY 2013

Appendix 3. Comparison of Benefit Packages

Benefit Category	ABAG	MTC
Pension and Retirement Programs	Public Employees Retirement System (PERS); employee contributes a portion of gross salary on a pre-tax basis. ABAG in CalPERS public misc. pool plan. Classic plan members, 2.5% at 55; Jan. 1, 2015 employees pay 1.00% of plan 7.00% employee contribution rate; Jan 1, 2016, employees will pay 2.00%; Jan 1 2017, employees will pay 3.00%. New plan members, 2.0% at 62, pay full employee rate which is 6.25%. No survivor benefit options; 2% retiree annual COLA. All employees participate in Social Security. The employer and the employee are required to make contributions. The current employee contribution is 6.20% of salary. ABAG has a two tier medical retirement plan. For Legacy Employees, hired before and by June 30, 2009, ABAG pays 100% of Kaiser Supplemental Medicare rate; for employees with 5+ years of service with ABAG at retirement, ABAG pays for two party Kaiser Supp. Medicare rate; reimburse for Medicare Part B deductible.	Public Employees Retirement System (PERS); employee contributes a portion of gross salary on a pre-tax basis. Classic plan members, 2.5% at 55, 7/1/15 employees pay 5.73% of plan 8.00% employee contribution rate; share employer contribution increase each FY 50%/50% until employees contributing full 8.00% employee rate. New plan members, 2.0% at 62, employees required to pay full employee contribution rate which is 6.50% for MTC. Survivor benefit options; 3% retiree annual COLA. MTC does not participate in Social Security. MTC is subject to California Pension Reform and as of January 1, 2013 will offer two pension plans. The plan employee will receive will be based on the individual's historical pension plan membership. MTC is a PEMCHA equal method participant for retiree medical benefits; retirees pay the same premium cost-shares as active employees (responsible currently for 5% of premium for all enrollment choices).

Benefit Category	ABAG	MTC
	In addition, ABAG pays 100% of the premium for retired employees who are not yet Medicare eligible for either the Kaiser employee only or employee plus one dependent options. For employees hired on or after July 1, 2009, ABAG contributes $100 per month into a MARA (retirement medical savings account); other than PEMCHA required minimum, no further obligation to retiree medical.	
Health and Dental Benefits	**Medical insurance** through the Public Employees' Retirement System; currently six HMO and three PPO Medical Plans. For 2015 – 2017 calendar years, ABAG pays up to an agreed to amount; amount goes up 2016 and 2017 1.5%; reopen if Kaiser premium is higher than ABAG's contribution levels or if Blue Shield Access+ goes up 7% or more. Cash in lieu for employees hired on or before of 10/07/04. **Dental and vision insurance** paid fully by ABAG for employee and their dependents. No cash in lieu for dental or vision.	**Medical insurance** through the Public Employees' Retirement System currently six HMO and three PPO Medical Plans. Premiums are shared between agency and employee at 95%/5% split; thru June 30, 2018, current MOU period. Cash in lieu of $965 for calendar 2016. **Dental insurance** (premium for employee paid by MTC; dependent coverage shared by the employee and MTC; employee pays $6.30 monthly for 1; $19.13 monthly for family). **Vision care insurance** (premium for employee paid by MTC; dependent coverage is paid in full by employee at $7.29 monthly for 1; $25.93 monthly for family). Cash in lieu available for both dental and vision. MTC provides access to and administers retiree dental and vision insurance plans. The retirees pay

Benefit Category	ABAG	MTC
		100% of premiums. CalPERS deducts premiums and pays MTC from retiree pension payments as a benefit to retirees.
Salary Administration	Four support grades with five steps; five professional grades with five steps; for classified union positions. For calendars 2015 – 2017 3.00% COLA. Merit is move to next step while still in range each year for satisfactory performance; Executive Director has ability to grant bonuses and extra step increases.	Nine support grades with eleven steps; five management grades with minimums and maximums. Annual COLA increase to all salary grades July 1 of 2.6% through June 2018. Merit salary increase options per performance until at top of grade range.
Insurance	**Life/AD&D Insurance** – ABAG pays 100% of premium; benefit is two-times salary for all employees. **Short-Term Disability** – ABAG participates in state program (SDI) which means also participate in state Paid Family Leave (PFL). 60 days. SDI and PFL benefits are 66 and 2/3ds salary. **Long Term Disability** – ABAG provides LTD, premium paid 100% by agency (benefits taxable upon use).	**Life/AD&D Insurance** – MTC pays 100% of premium; benefit is one-times salary for management employees. Dependent coverages included; voluntary life available at employee cost. **Short-Term Disability** – MTC provides private Short-Term Disability (STD), premium paid 100% by agency (benefits taxable upon use). 90 days. MTC allows staff to use sick leave for PFL equivalent leaves (sick family, paternity leave, etc.) STD benefit is 66 and 2/3ds salary. **Long Term Disability** – MTC provides Long Term Disability, premium paid 100% by agency (benefits taxable upon use).

Benefit Category	ABAG	MTC
Holidays, Vacation, Sick, and other Paid Leaves	**Holidays –** eleven paid holidays per year; three floating holiday days **Vacation** – 1-3 years – 5/6ths days/month 3-6 years – 1.25 days/month 6-10 years – 1.42 days/month 10+ years – 1.66 days per month (approx. 20 days/year) Accrues to two-times annual two-year credit limit; excess paid out as of Dec 31 each year. Accruals payable upon employment separation. **Sick Leave** – one day per month worked up to a cap of 240 days (1,920 hours). Not payable upon employment separation. CalPERS contracts (classic and new) allow for accrued sick leave to count towards service years upon termination/ retirement. Can use for self and for sick immediate family members defined as parent, spouse or child. Can integrate sick leave	**Holidays** - eleven paid holidays per year. **Personal Business Days** – three days per year. **Vacation** - Eight hours per month accrued per pay period. Starting at employment for the first year, an additional day is added up to a maximum total accrual level of 25 days per year. Accrual caps at 500 hours. Can cash out once a year for balances above 320 hours up to cap of 500 hours. Accruals payable upon employment separation. **Sick Leave** - one day per month paid sick leave with no limit to the amount of sick leave that can be accrued. Up to 240 hours of accrual payable upon employment separation. Can use for self and for sick immediate family members (extensive definition list using current CA FMLA and CFRA definitions). Can integrate sick leave with STD and LTD benefits. **Catastrophic Sick Leave Program** Employees may contribute accrued sick leave hours accrued above 240 hours to a Catastrophic Sick Leave Bank. Employees may be eligible to

Benefit Category	ABAG	MTC
	with SDI benefits. **Jury Duty Leave** – allows open-ended leave on continued pay. **Funeral Leave** – 3 days paid for California, 5 days paid for out-of-state. Other mandatory leave benefits.	request sick leave from the Catastrophic Sick Leave Bank. **Jury Duty Leave** – allows open-ended leave on continued full pay. **Funeral Leave –** 3 days paid; can use sick leave for longer leaves. Other mandatory leave benefits.
Transit and Parking	1. Public Transit – up to $200 a month per IRS regulation 2. Employer paid parking – after move to San Francisco, employer provided parking to be used in combination with public transit use. 3. Carpooling – while in Oakland, fully subsidized parking in employer lot for verified carpools (two or more). $20 pre-tax subsidy for bicycle commuting.	MTC provides a five option transit subsidy benefit: 1. $214 benefit monthly to be used for public transportation purchases (WageWorks or Clipper Direct); pre-tax as allowable by the IRS for transit and parking. 2. Subsidized parking in the MTC lot for $18.50 a month pre-tax. 3. 100% subsidized parking in the MTC lot for legitimate carpools. 4. $20 pre-tax a month for eligible bicycle computing. 5. $20 taxable subsidy month cash-in-lieu
Deferred Compensation	STARS/UTC 457 and/or ICMA-RC Retirement Plan (Voluntary)	Two 457 deferred compensation plans; CalPERS and ICMA-RC. Employee deferral only; no employer contribution. (Voluntary – opt in) Roth IRA option. (Voluntary – opt in)
Flexible Spending	Pre-tax options for eligible health care and dependent	Employee-paid pre-tax dependent care and health care flexible

Benefit Category	ABAG	MTC
Accounts	care expenses (Optional)	spending accounts both at IRS allowable maximum levels. (Voluntary – opt in)