Joint Meeting of
MTC Planning Committee and ABAG Administrative Committee
Merger Study

March 25, 2016

9:00 am

Association of Bay Area Governments

METROPOLITAN TRANSPORTATION COMMISSION

Management Partners

Meeting Agenda

- Merger study update
- Planning program areas
  - MTC
  - ABAG
- Functional organization charts of both agencies following Resolution 4210
- Financial forecasts for both agencies, including impacts of Resolution 4210
- Preliminary stakeholder engagement comments and themes
- Elected officials electronic survey results
- Proposed merger study principles, problem definitions, range of options and evaluation criteria
- Wrap-up and next steps

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Merger Study Update

- Conducted most of the stakeholder engagement meetings
  - Some meetings remain for April 2016
- Deployed an electronic survey for elected officials and compiled results
- Met with MTC and ABAG staff
- Completed the five-year financial forecasts for MTC and ABAG
- Developed a revised set of proposed merger study principles
- Drafted three problem statements, a range of options to address them and proposed evaluation criteria
- Continued to obtain background information to inform analysis

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Planning Program Area Overview

Planning Program Areas	MTC	ABAG
Air quality conformance	✓	Minor
Bay Area "Report Card" • ABAG: State of the Region • MTC: Vital Signs	✓	✓
Bay Trail	Funds	✓
Active transportation planning/Bay Area bikeshare	✓	
Cap and trade financing for Plan Bay Area implementation	✓	✓
Climate initiatives	✓	
Complete streets	✓	Minor
Transit planning/core capacity and connectivity studies	✓	
Economic development	Minor	✓
Forecasts and modeling	✓	✓
Household interview survey program	✓	
Housing programs	✓	✓
Industrial areas and goods movement	✓	✓
Intergovernmental coordination	✓	✓
Lifeline transportation planning	✓	
Mapping	✓	✓
Priority conservation areas	Minor	✓
Priority development area (PDA) implementation/transit-oriented development (TOD)	✓	✓
Regional airport coordination	✓	✓
Regional housing need allocation (RHNA)	Minor	✓
Regional transit on-board survey program	✓	
Resiliency programs	✓	✓
Sustainable communities strategy/Plan Bay Area (PBA)	✓	✓
Transportation data analysis	✓	
Parking policies, pricing, and technical assistance	✓	
Water Trail		✓

Functional Organization Charts

Post Implementation of MTC Resolution 4210

ABAG

Existing

Planning and Research
Director
22 FTE

Functions
- Plan Bay Area
- Collaboration with local jurisdictions
- Economic development
- Housing production and affordability
- Open Space & Bay Trail
- Regional social, economic and land use research
- Resilience and climate change

With MTC Resolution 4210

Planning and Research
Director
9 FTE

Functions
- Bay Trail and Water Trail
- Regional housing need allocation (RHNA)
- Resilience and climate change
- Local government coordination

MTC

Existing

Planning
Director
26 FTE (1 vacant)

Functions
- Plan Bay Area (RTP/SCS)
- Analytical services and data management
- Bicycle/pedestrian and complete streets planning
- Climate change and environment programs
- Other regional planning and policy (equity, economy, environmental etc.)
- Performance analysis

With MTC Resolution 4210

Integrated Planning Department
Director
39 FTE (1 vacant)

Functions
- Plan Bay Area (RTP/SCS)
- Analytical services and data management
- Bicycle/pedestrian and complete streets planning
- Climate change and environment programs
- Economic development
- Housing production and affordability
- Local planning and Implementation
- Performance analysis
- Regional social, economic and land use research
- Other regional planning and policy

ABAG and MTC Financial Forecasts Overview

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

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MTC Forecast Conclusions

2014 Funding Framework

Balance Declines Due to Pension, Prop 84 Loss

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

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MTC Forecast Conclusions:

MTC Resolution 4210
Planner Shift Adds Net Cost of $5.5M

- Adds $2.4M in direct costs and other expense for 13 planners
  - Includes salary, OPEB and other expense
- Adds $1.2M in indirect costs (54.0% rate drops to 50.3%)
- ABAG contractual cost (from all sources) drops from $4.35M to $1.75M
- Net increase in total costs vs. Framework of $5.5M over five years
  - In FY 21-22 MTC cost is $4.18M under Res. 4210 vs. $4.09M under continued Framework funding
- Decline in MTC's O&M budget reserves: $36.7M in FY 14-15 to $26.1M in FY 21-22
  - Unrestricted balance declines from $23.1M in FY 14-15 to $9.0M in FY 21-22 (before $16.0M GASB 68 unfunded pension liability)

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ABAG Faces Fiscal Challenges

- It is a relatively small entity and is highly dependent on state and federal grants
- “Discretionary” income is limited
- Reserve levels are quite low (2.6%), which leaves little room to weather cash flow variances
- Faces existing structural shortfall; MTC Res 4210 and low reserves compound impact and seriousness
- Enterprise and grant programs sensitive to overhead costs, but entity must service OPEB costs and have adequate corporate support functions to operate properly

ABAG Forecast Conclusions:
2014 Funding Framework
Structural Shortfall, but Manageable

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

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ABAG Forecast Conclusions:
MTC Resolution 4210
Shortfall Requires Significant Corrective Actions

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

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Financial Forecast: MTC

Fiscal Impact from Consolidating

Core Planning Functions in MTC

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Key MTC Forecast Assumptions

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

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MTC CalPERS Projections (Before Addition to Staff)

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

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

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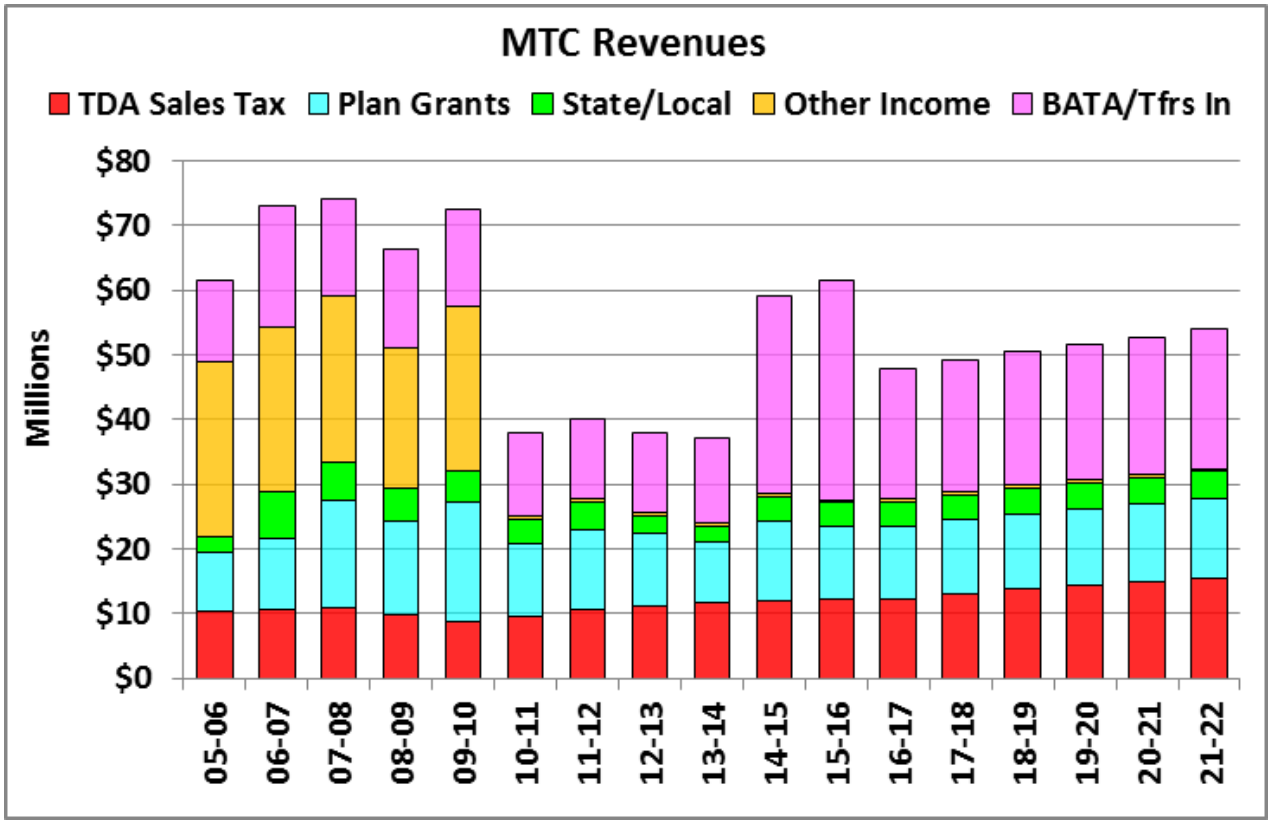
MTC Operating Revenues



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

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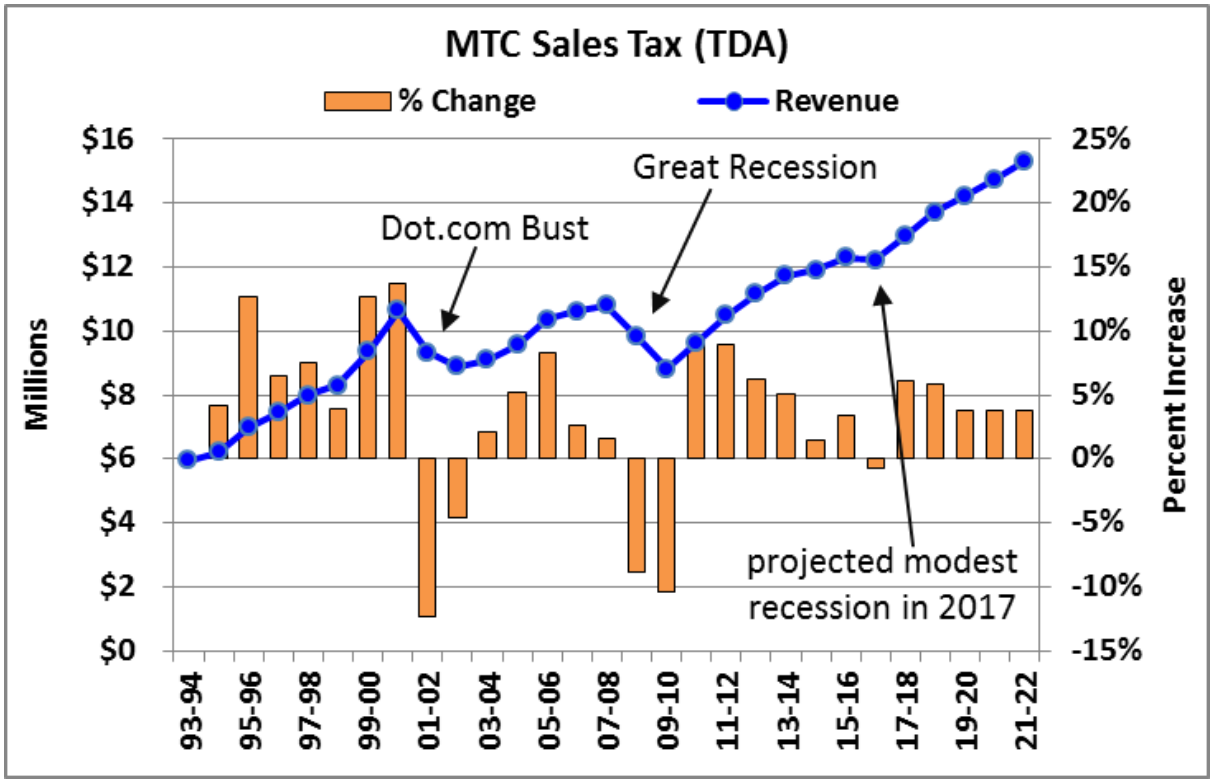
TDA Sales Tax History & Forecast



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

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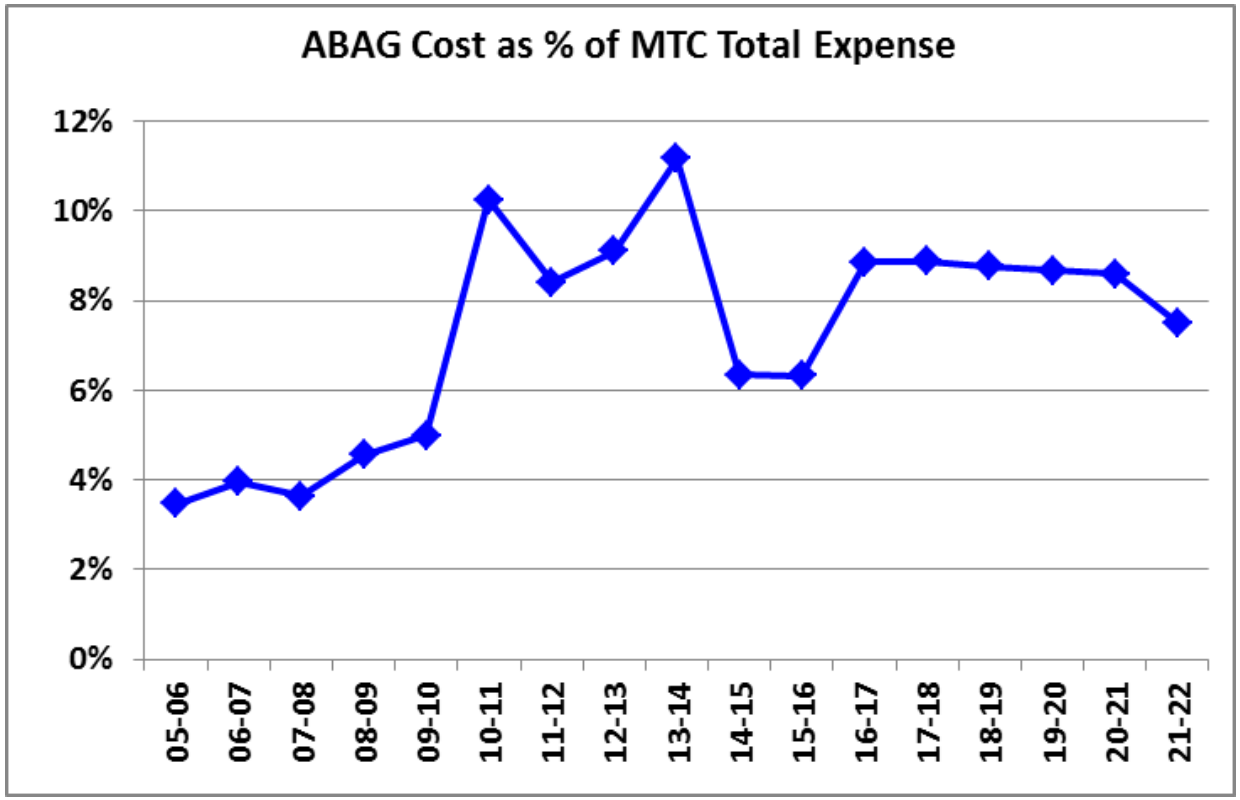
ABAG Cost as % of MTC Total Expense



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

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2014 Funding Framework
MTC Payments to ABAG

($ in millions)

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

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

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2014 Funding Framework

MTC Operating Budget Forecast

($ in millions)

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

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MTC Resolution 4210

MTC Operating Budget Forecast

($ in millions)

Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
TDA Sales Tax	11.90	12.30	12.21	12.96	13.71	14.22	14.76	15.31
Interest/Other	0.53	0.51	0.51	0.49	0.47	0.45	0.43	0.41
Other Planning Grants	12.42	11.09	11.26	11.49	11.72	11.95	12.19	12.44
BATA 1% + Transfers In	30.65	33.84	20.00	20.33	20.66	20.99	21.34	21.69
State/Local Funding	3.60	3.69	3.76	3.84	3.91	3.99	4.07	4.15
LTD Federal Grants	1.34	1.36	1.47	1.49	1.51	1.54	1.56	1.58
Total Revenue	60.44	62.79	49.22	50.59	51.98	53.15	54.35	55.58
Expenses:								
Personnel/Other	22.35	23.14	23.94	24.53	25.31	26.06	26.77	27.49
New Planners (total)	-	-	3.58	3.68	3.82	3.95	4.06	4.18
Contractual-ABAG	3.83	3.98	1.75	1.80	1.80	1.80	1.80	-
Contractual-Other	28.99	29.94	16.14	16.46	16.79	17.13	17.47	17.82
Other Expense	5.26	5.73	5.85	5.97	6.09	6.21	6.33	6.46
Total Expense	60.44	62.79	51.26	52.44	53.81	55.14	56.43	55.95
Balance:								
Net Revenue (Expense)	0.01	0.00	(2.04)	(1.85)	(1.83)	(2.00)	(2.09)	(0.37)
Adjustment	2.50	-	-	-	-	-	-	-
Total Restricted Reserves	13.59	16.29	15.00	15.50	16.00	16.50	17.00	17.50
Unrestricted before GASB 68	23.09	20.39	19.64	17.29	14.96	12.47	9.88	9.01
GASB 68 Pension Liability	(16.00)	(15.47)	(14.93)	(14.40)	(13.87)	(13.33)	(12.80)	(12.27)
Unrestricted after GASB 68	7.09	4.92	4.71	2.89	1.09	(0.87)	(2.92)	(3.26)
Total Reserves	36.68	36.68	34.64	32.79	30.96	28.97	26.88	26.51

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MTC Resolution 4210
Net Impact on MTC from Planner Shift

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

*excludes Bay Trails

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

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Financial Forecast: ABAG

Fiscal Impact from Consolidating
Core Planning Functions in MTC

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Association of Bay Area Governments

Key ABAG Forecast Assumptions

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

2014 Funding Framework
CalPERS Projections

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

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

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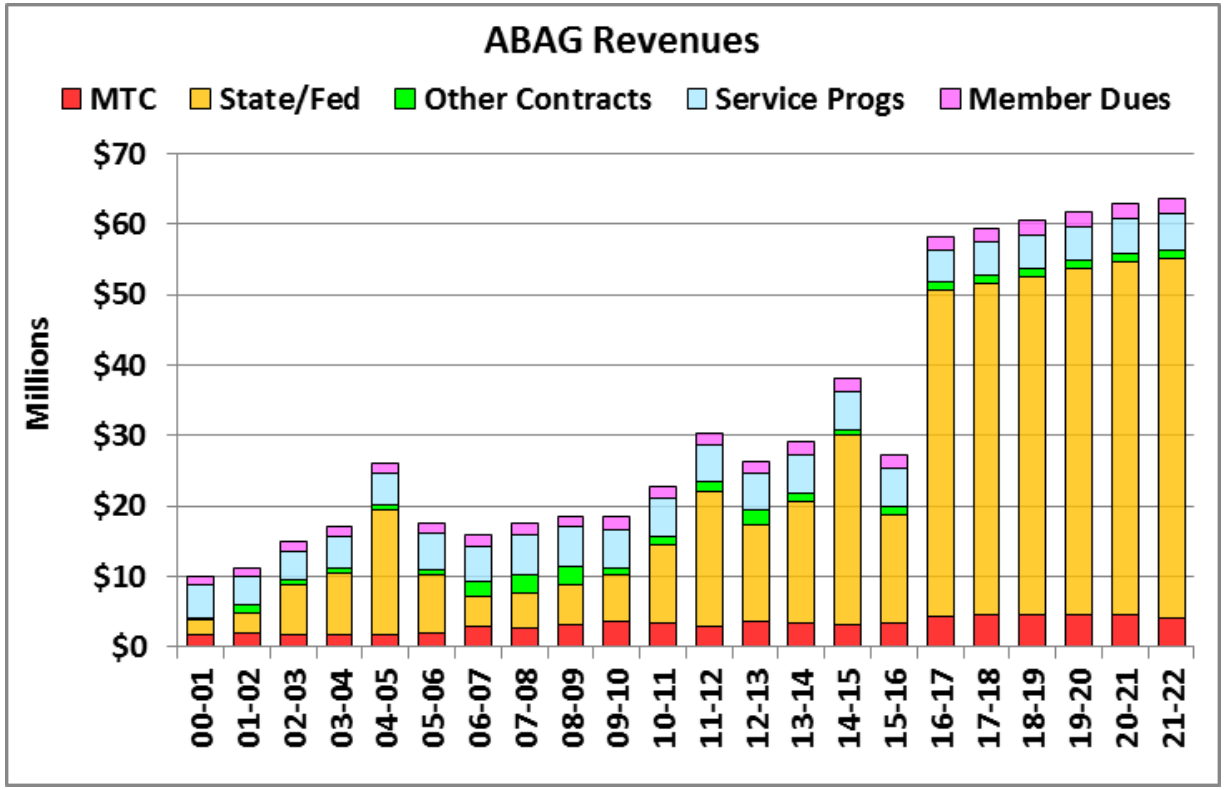
2014 Funding Framework
ABAG Revenue Structure



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

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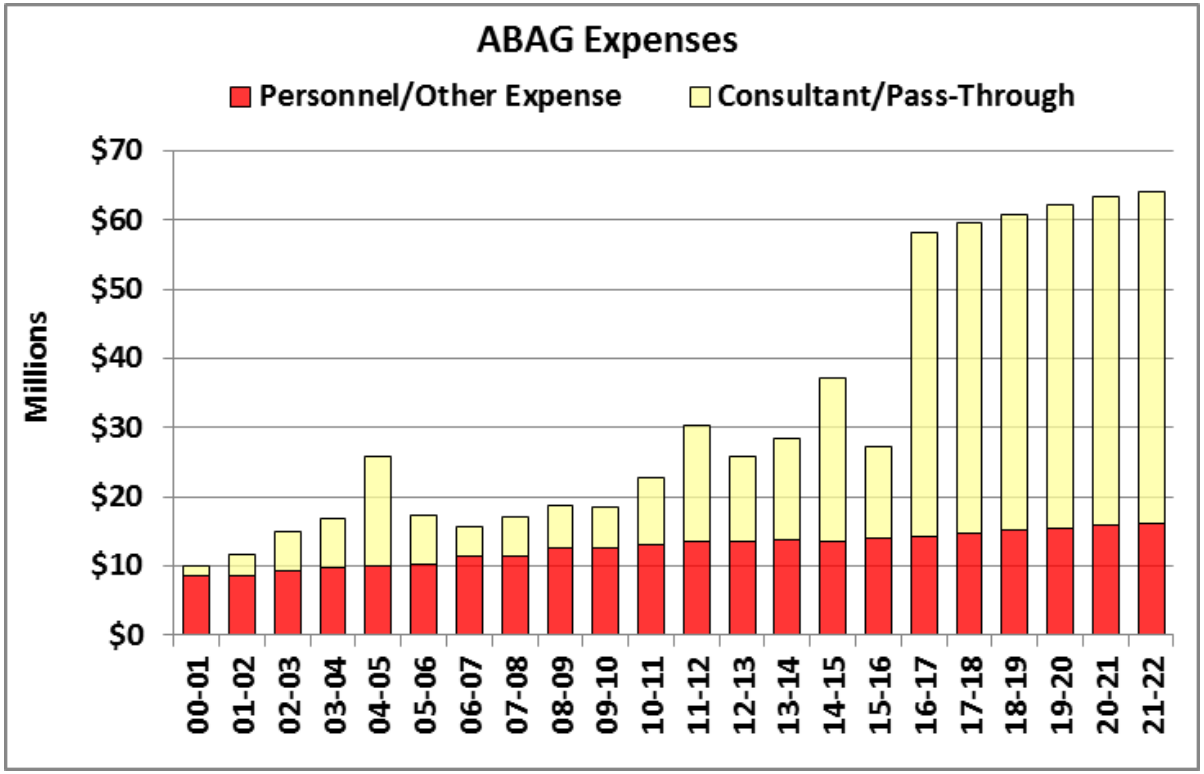
2014 Funding Framework
ABAG Expense Structure



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

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2014 Funding Framework

Total Cost and Funding of ABAG Planning Function

($ in millions)

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

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

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2014 Funding Framework
Manageable Structural Shortfall

($ in millions)

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

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

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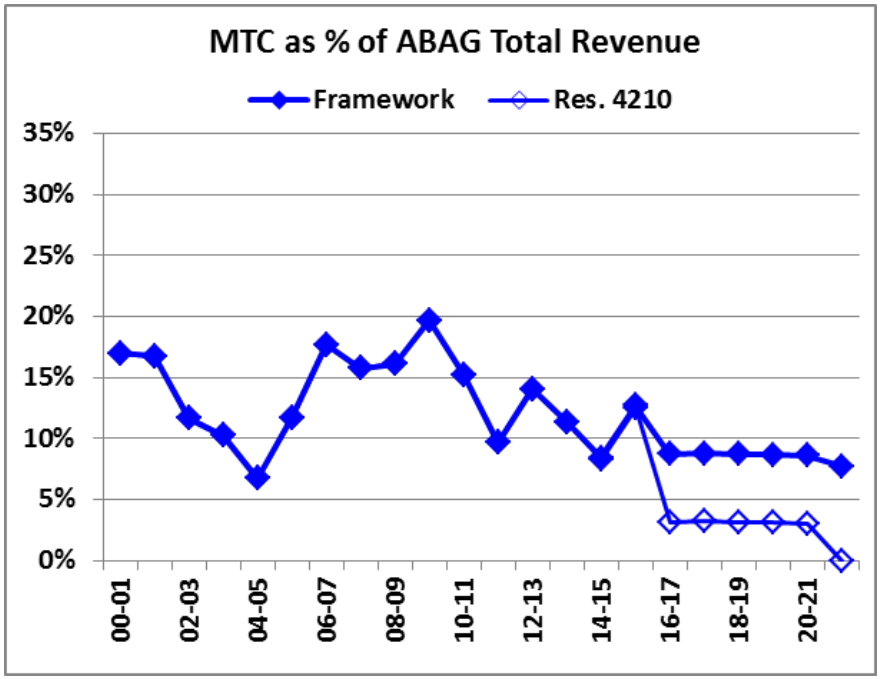
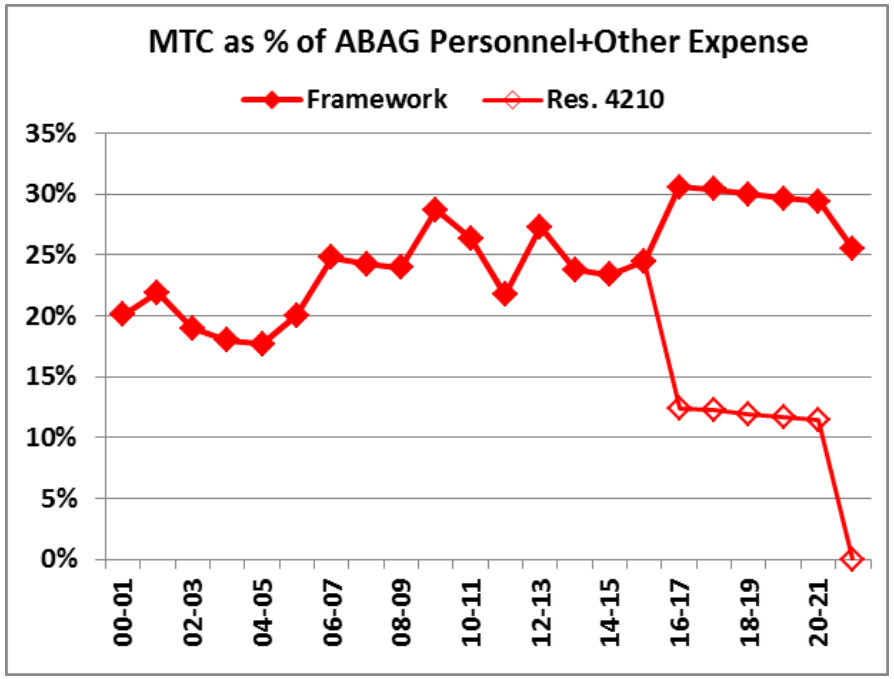
MTC Resolution 4210
MTC Budget Impact: Two Views





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

Management Partners

MTC Resolution 4210
Impact of Planner Shift

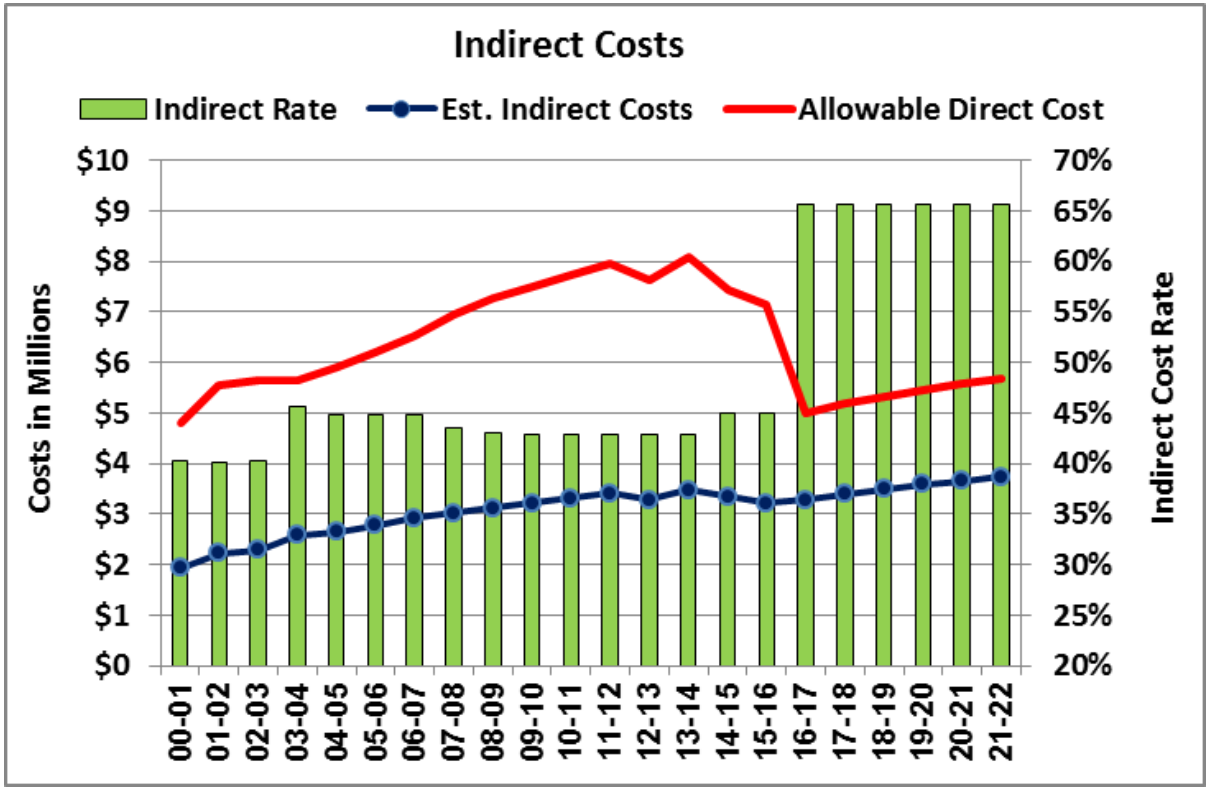
($ in millions)

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

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

Management Partners

MTC Resolution 4210
Impacts on Indirect Cost Rate



- Some grants may be locked in to current indirect rate
- Imposing higher rate may make ABAG non-competitive for grants
- Planner positions and admin staff service grants and service programs

Management Partners

MTC Resolution 4210
Balance Decline Accelerates, Deficit in 4 Years

($ in millions)

ABAG Revenues:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total MTC Revenues	4.32	4.44	2.47	2.54	2.55	2.57	2.58	0.80
Other Revenues	33.71	22.71	53.15	54.21	55.30	56.40	57.53	58.68
Total	38.03	27.16	55.62	56.75	57.85	58.97	60.11	59.48
ABAG Expenses:								
Planning & Research	5.01	5.13	3.35	3.49	3.61	3.73	3.82	3.91
Other Programs	32.18	21.97	52.71	53.90	55.01	56.13	57.25	57.78
Total	37.19	27.11	56.06	57.38	58.62	59.87	61.07	61.68
Personnel (Direct+Indirect)	11.37	11.59	9.76	10.12	10.43	10.72	10.95	11.18
Consultant Services	14.16	10.78	28.25	28.81	29.39	29.97	30.57	31.18
Pass-Through	9.48	2.45	15.76	16.12	16.43	16.74	17.07	16.79
Other Expense	2.17	2.29	2.29	2.33	2.38	2.43	2.48	2.52
Total	37.19	27.11	56.06	57.38	58.62	59.87	61.07	61.68
ABAG Balance:								
Net Revenue (Expense)	0.85	0.05	(0.44)	(0.63)	(0.77)	(0.90)	(0.95)	(2.20)
Available Fund Balance	1.84	1.89	1.46	0.82	0.05	(0.84)	(1.80)	(4.00)
GASB 68 Pension Liability	(11.83)	(11.43)	(11.04)	(10.65)	(10.25)	(9.86)	(9.46)	(9.07)
Avail Balance After GASB 68	(9.98)	(9.54)	(9.58)	(9.82)	(10.20)	(10.70)	(11.26)	(13.07)

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

Management Partners

MTC Resolution 4210
Shortfall as % of Personnel and Other Costs

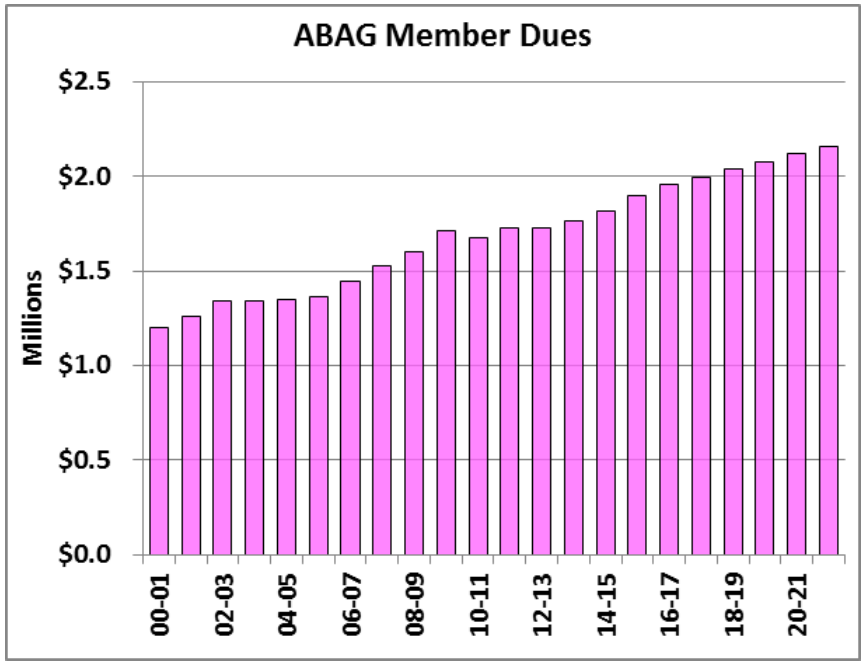
($ in millions)

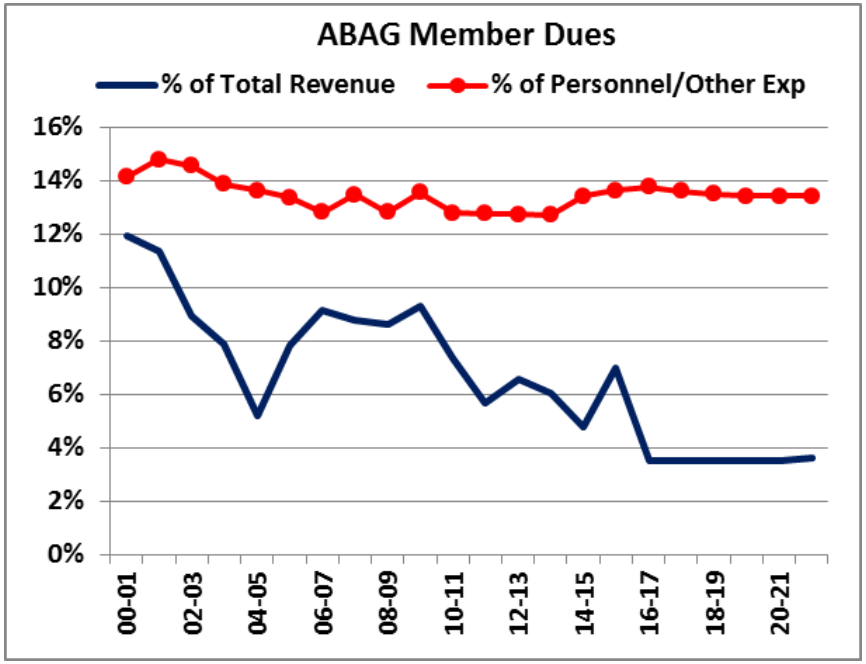
Shortfall Impact:	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22
Total Expense	37.19	27.11	56.06	57.38	58.62	59.87	61.07	61.68
less: Consultant+Pass-Thru	23.65	13.23	44.01	44.93	45.81	46.72	47.64	47.98
Personnel+Other Cost	13.54	13.88	12.05	12.46	12.81	13.15	13.43	13.70
Net Revenue (Expense)	0.85	0.05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

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

Management Partners

Relative Importance of Dues





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

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Altering Fiscal Outcome Requires Some Combination of the Following Actions

- Maintain and secure additional grants to make up for loss in MTC funds (allows shift in existing overhead formerly allocated to MTC)
  - Requires at least $2.6M in new grants that are primarily personnel costs
- Cut overhead costs (to reduce overhead rate)
  - Requires $1M cut in current $3.2M overhead to retain current indirect rate of 44.95%, given direct costs remaining after shift of 13 planners
- Dues increase (generate more net revenue)
  - Requires 22% increase to generate $440K added net revenue
- Eliminate net pickup of PERS costs (to reduce overall costs)
  - Requires labor negotiations; remaining 5% pickup on $5.33M salaries after planner shift yields $266K of savings
- New actuarial study may justify lower OPEB contribution rate
  - Potential savings of $50-100K from proposed FY 16-17 budget

Management Partners

Stakeholder Engagement Participants

- Stakeholder meeting participant groups:
  - 8 Mayors' Conferences
  - 8 Congestion Management Agency Technical Advisory Committees (1 to be held in April)
  - 3 City Manager Associations (held upon request)
  - 3 Regional Forums
  - 11 Individual Stakeholder Groups

Preliminary Stakeholder Engagement Broad Themes

1. A single integrated agency is likely to better serve the region.
2. Any new regional agency needs to respect and respond to the diversity and unique circumstances of Bay Area communities.
3. Any new agency should continue to provide services and assistance to local communities.
4. MTC is generally perceived as being less accessible to local government officials and stakeholders than ABAG; MTC is seen as more "top-down" and ABAG more "bottom-up."
5. Between the two agencies, there are too many committees seemingly addressing similar issues.
6. The question of merger is critically important to the region, and if pursued, it needs sufficient time.
7. The Bay Area competes with major metropolitan regions in the U.S. and around the world and needs to have a more integrated vision and voice in order to compete successfully.
8. Governance structure is critical if a single integrated agency is formed.

Elected Officials Survey Results Overview

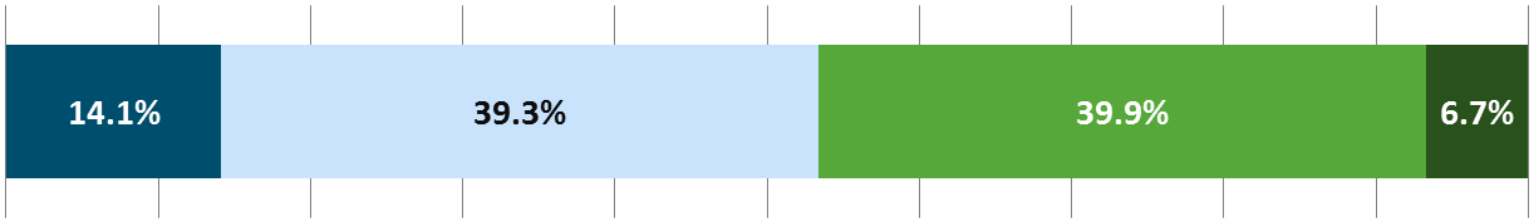
- Electronic survey distributed to elected officials in the Bay Area
  - Cities, towns, counties
  - BART and AC Transit elected boards of directors
- Of the 111 local jurisdictions surveyed, 95 (85%) jurisdictions participated
  - 86 cities
  - 8 counties
  - 3 responses from transit agencies
- 180 (about 30%) of the 610 elected officials engaged in the process

	Number of Total Respondents	Number of Jurisdictions Represented
Councilmember/Mayor		
Medium to Large City (more than 50,000)	60	35
Small City (less than 50,000)	100	51
Supervisor		
Large County (more than 500,000)	7	3
Small County (less than 500,000)	8	5
Transit Agency Board Member	**3**	**>1***

**It is not possible to determine which transit agencies participated based on the responses collected.*

Elected Officials Survey Results

"My community was actively involved in the development of Plan Bay Area."

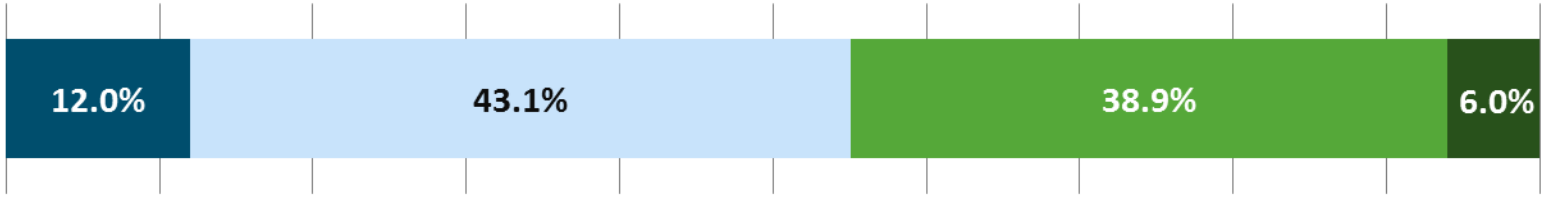


"Regional planning has generally been effective in the Bay Area."

Strongly Disagree | Disagree | Agree | Strongly Agree

Elected Officials Survey Results

"The current allocation of roles and responsibilities between ABAG and MTC support an effective approach to regional transportation and land use planning in the Bay Area."

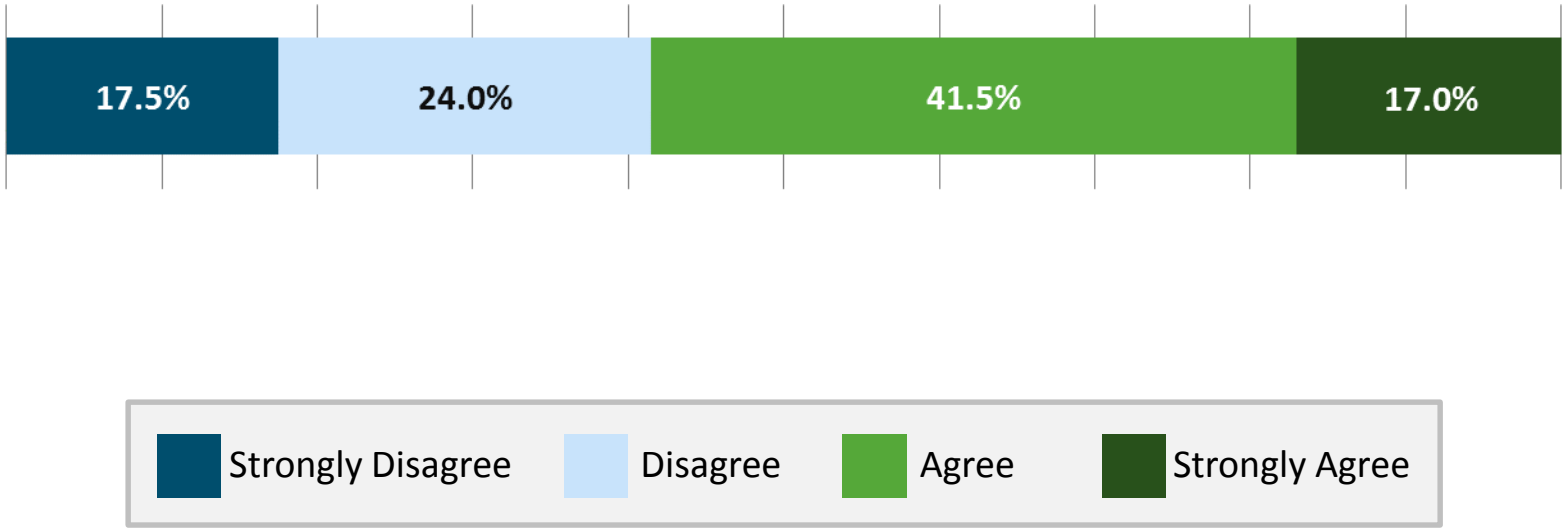


"Transportation and land use planning should be performed by separate agencies in the Bay Area."

Strongly Disagree | Disagree | Agree | Strongly Agree

Elected Officials Survey Results

"Transportation and land use planning should be performed by a single agency in the Bay Area, as it is in other large metropolitan areas in California."



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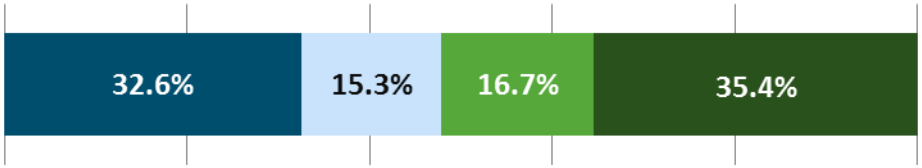
Elected Officials Survey Results

Rank the options below in order of their effectiveness in supporting regional transportation and land use planning in the Bay Area. ”

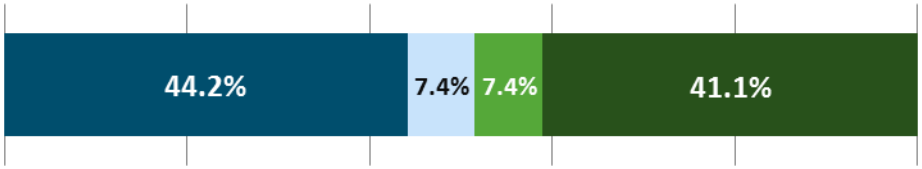
Option A. Keep the current division of roles an responsibilities between ABAG and MTC the same.



Option B. Strengthen the regional transportation and land use planning collaboration between ABAG and MTC.

Option C. Look for opportunities to functionally integrate the regional planning operations of ABAG and MTC, but retain each entity separately

Option D. Create a new governance model for the Bay Area’s land use and transportation planning, and transportation coordination and financing roles and responsibilities.



Least Effective | Third Most Effective | Second Most Effective | Most Effective

Elected Officials Survey Results

"What concerns would you have if a new governance model for land use and transportation planning, and transportation coordination and financing was created? (Indicate your top three concerns in order)"

	Highest Concern	Second Highest Concern	Third Highest Concern
Overall	Local Control	Governance	Accountability
Councilmember/Mayor	Local Control	Governance	Accountability / Efficiency and Effectiveness
Supervisor	Local Control	Governance	Accountability
Transit Agency Board Member	Accountability	Governance	Transparency / Local Control

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Proposed Principles

1. Provides a sustainable, integrated and transparent land use and transportation planning function
2. Improves the efficiency and effectiveness of regional land use and transportation planning, services, and programs
3. Increases the transparency of regional land use and transportation policy decisions
4. Sustains or expands core agency services, operations and programs
5. Expands opportunities for broader stakeholder engagement in regional planning
6. Sustains the representative voice of cities and counties
7. Promotes comprehensive regional planning in the Bay Area.
8. Preserves local land use authority
9. Provides an equitable and predictable transition for current and retired employees

Management Partners

Proposed Problem Definitions

- Three problems:
  1. Preparation of the region's sustainable community strategy to reduce greenhouse gases is statutorily split between two regional agencies.
  2. Two agencies responsible for regional land use and transportation planning and associated services and programs are not formally linked by an integrated management, leadership or policy structure.
  3. ABAG's ongoing ability to implement its mission is compromised.

Problem 1: SCS is Statutorily Split

- Consequences
  - Leadership and management issues (who is in charge of getting the SCS completed and implemented)
  - Coordination and performance confusion (accountability)
  - Inefficient use of staff resources
  - Confusion for the public about who makes which policy decisions (transparency)
  - Inefficient government and increased costs
  - Bifurcated and sometimes competing strategic direction at the policy, leadership and management levels

Problem 2: Two agencies responsible for regional planning are not formally linked

- Consequences
  - Significant obstacle to integrating complex land use, transportation and regional policy issues into a clear vision for the region
  - Distraction for a region needing to address complex and difficult issues (stakeholders want a “one stop, accountable shop”)
  - Disparate and, in some cases, duplicative and competing programs provided to local government
  - Inefficient use of staff resources
  - Perceptions regarding the lack of accountability and transparency (too many committees across two agencies addressing similar issues and programs)
  - Inefficient use of elected officials time

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Problem 3: ABAG's ability to implement its mission is compromised

- Consequences
  - Increased dependency on discretionary revenue that will fluctuate with the economy, grantors and contractors
  - Ongoing concern by members and regional planning stakeholders regarding ABAG's mission and ability to influence complex and difficult regional issues
  - Member agency "voice" is at risk regarding complex regional issues
  - Potential loss of confidence among grantor organizations
  - With or without regional planning, ABAG's members and grantors may not be willing to sustain the agency's financial security over the long term

Ten Options for Analysis

Nothing will ever be attempted, if all possible objections must first be overcome.

- Samuel Johnson

The biggest obstacle to positive change is fear.

- Peter Senge

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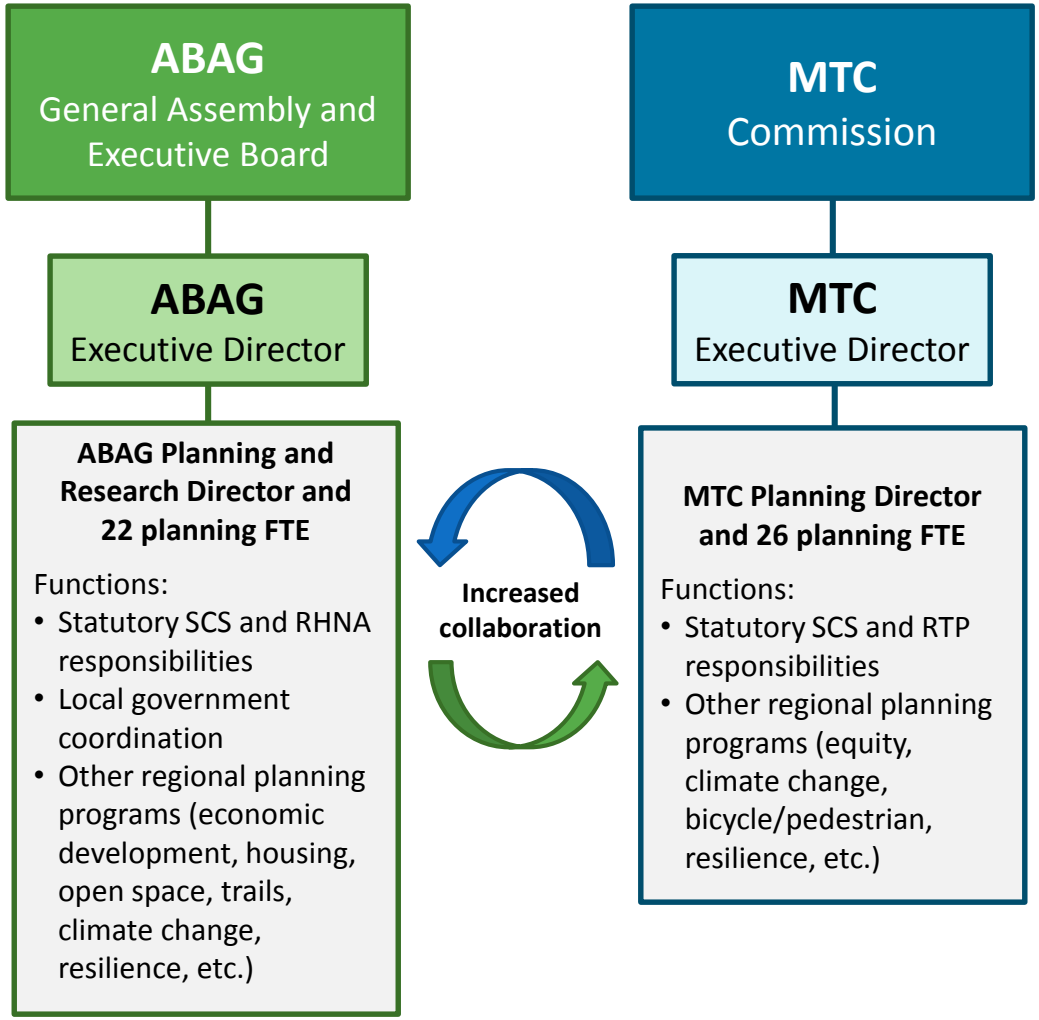
Option 1

No Change

- Maintain current independence of each agency
- Increase collaboration between agencies to improve and streamline the Plan Bay Area (PBA) process and other regional planning efforts

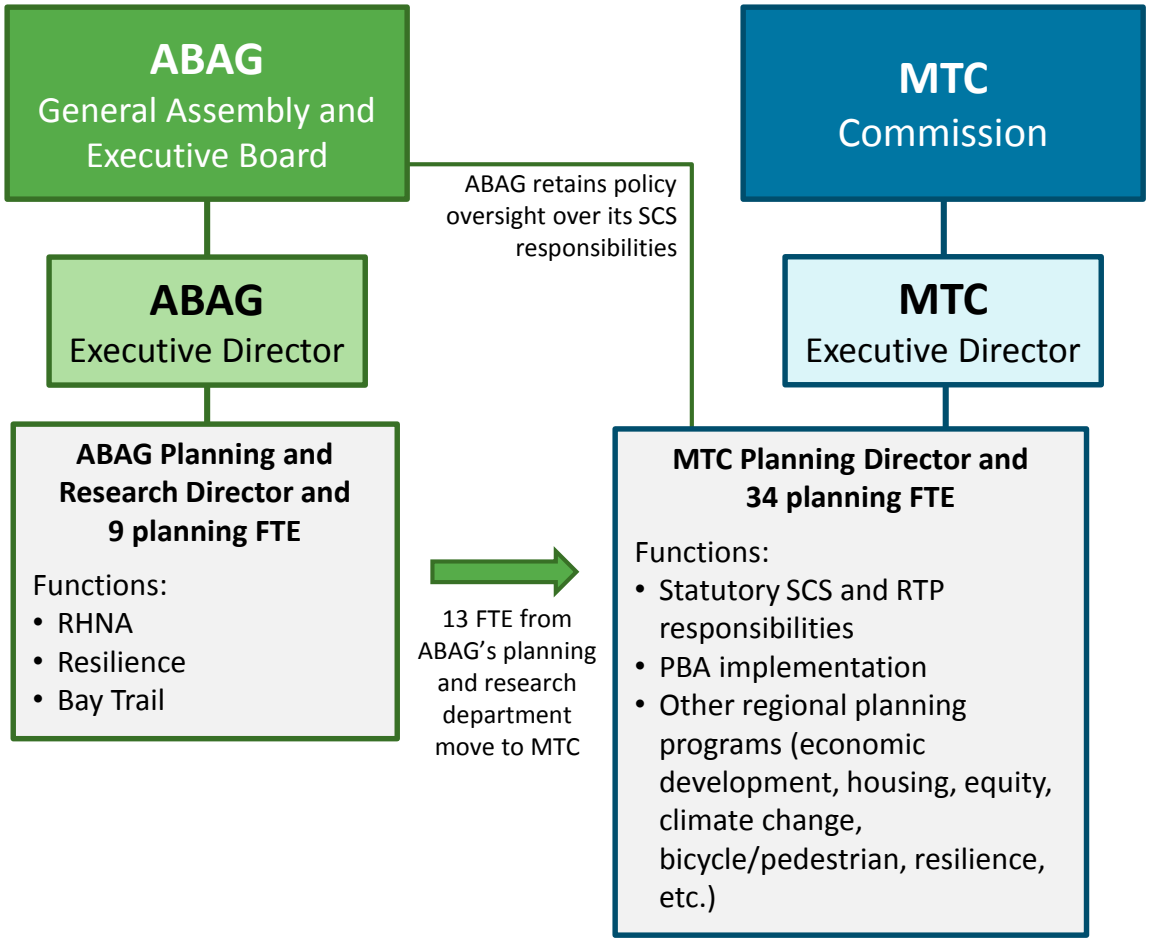


For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 2

Consolidate regional planning functions within MTC

- Consolidate most regional planning functions within MTC by implementing MTC Resolution 4210
- ABAG JPA, policy structure, some planning programs and other agency programs would remain in the COG

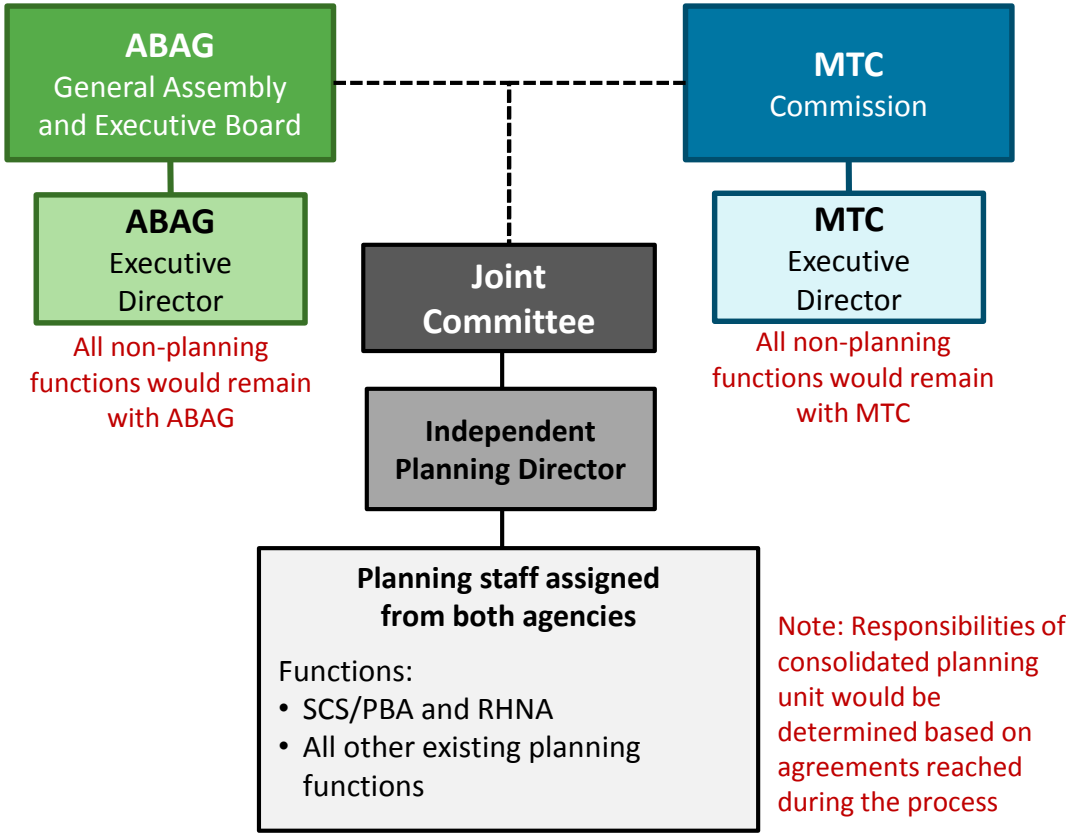


For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 3

Hire an independent planning director to manage PBA, all planning functions, or both

- Hire an independent planning director responsible for PBA, all planning functions, or both
- Planning director reports directly to the ABAG Administrative Committee and MTC Planning Committee
- Planning staff assigned from both agencies



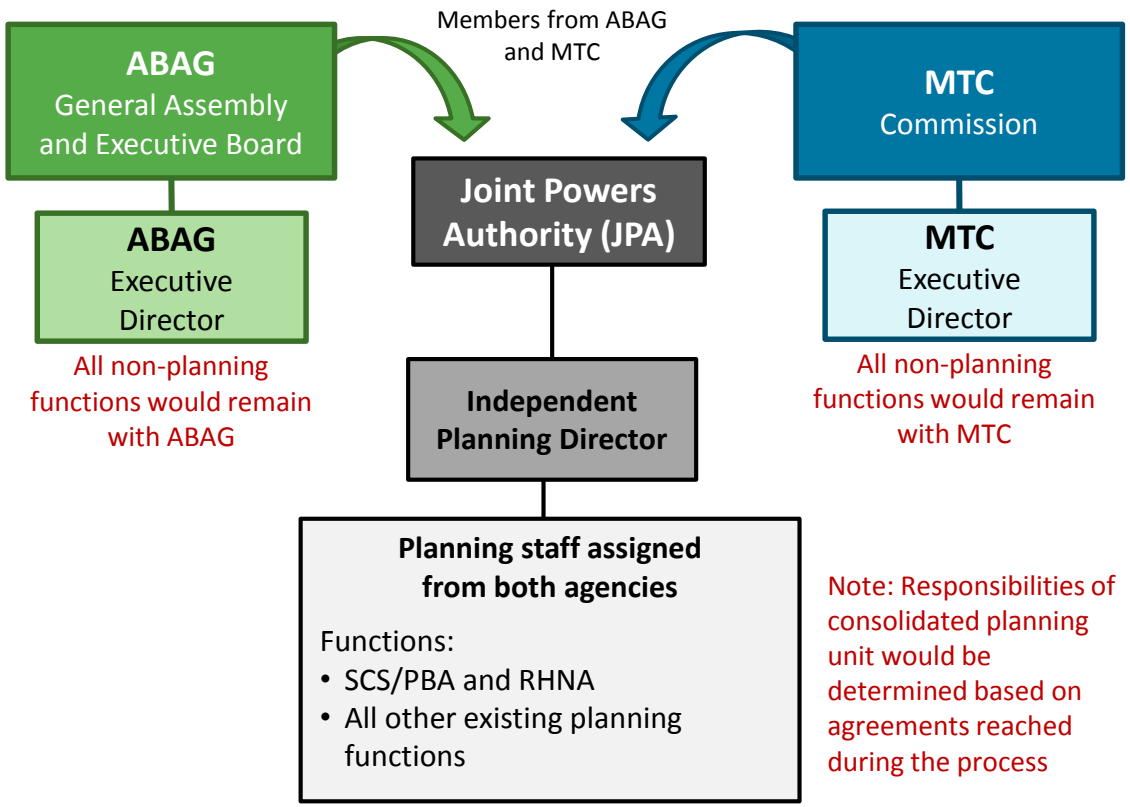
Management Partners

For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 4

Establish new Joint Powers Authority (JPA) to oversee PBA, all planning functions, or both

- Hire an independent planning director responsible for PBA, all planning functions, or both
- Planning director reports directly to a new joint powers authority (JPA) with members from MTC and ABAG
- Planning staff assigned from both agencies

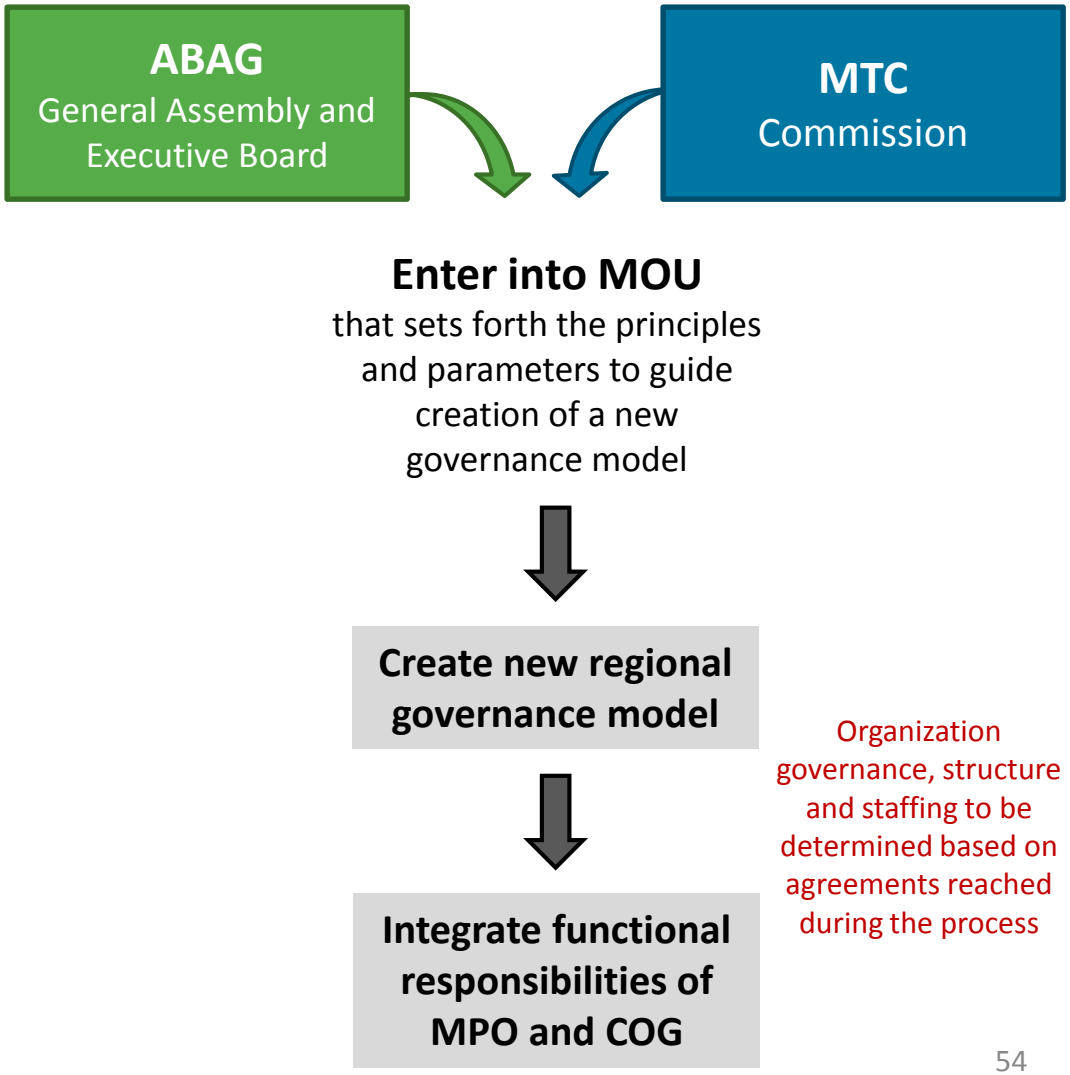


For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 5

Create a new regional governance model

- Enter into an MOU to create a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)



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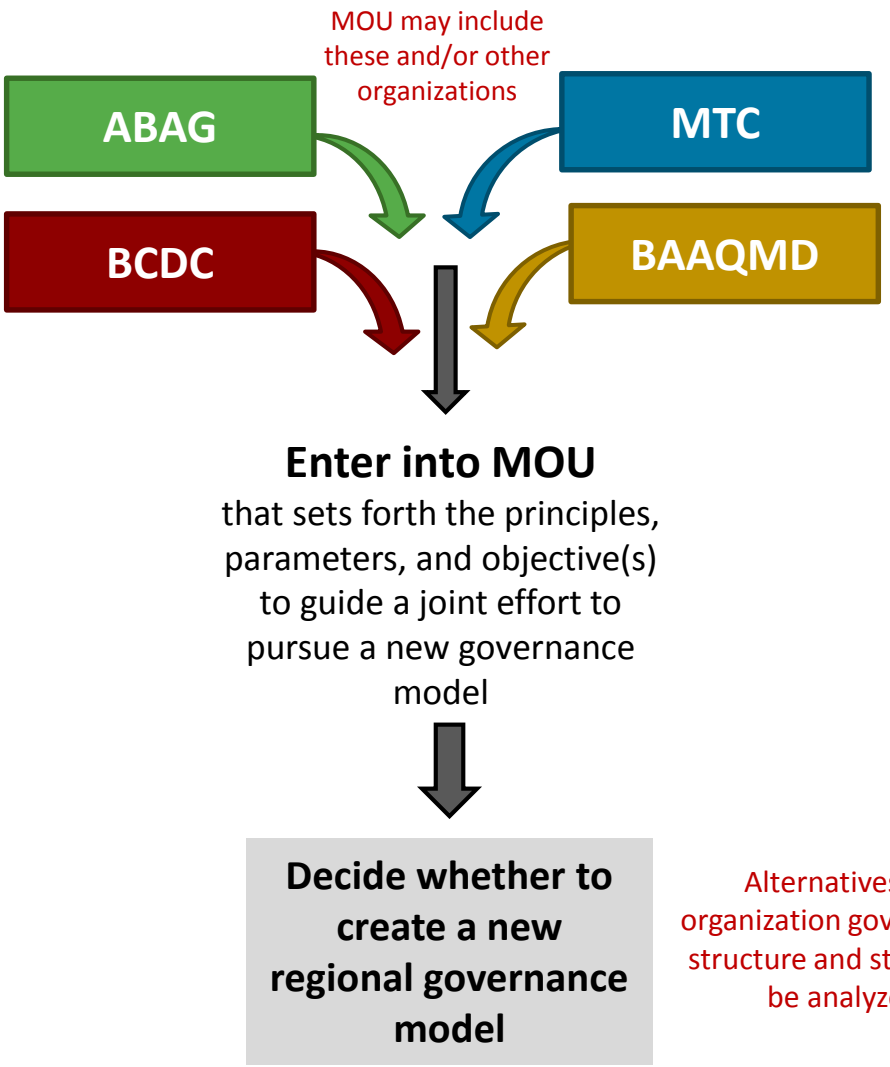
Option 6

Pursue a new comprehensive regional governance model

- Pursue a new governance model that encompasses the functions of all the independent regional planning agencies in the Bay Area



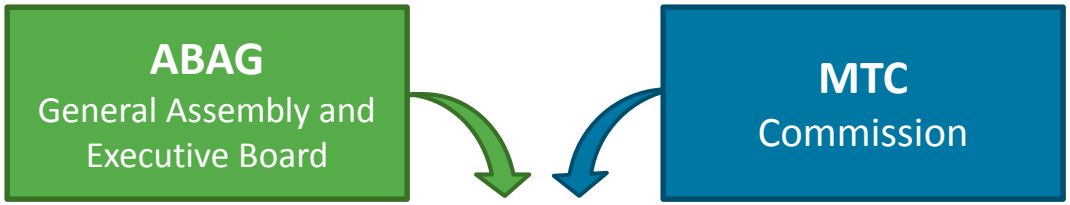
Management Partners

Option 7

Create a new regional governance model and consolidate regional planning functions

STEP ONE

- Enter into an MOU to create a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)



Enter into MOU
that sets forth the principles and parameters to guide creation of a new governance model

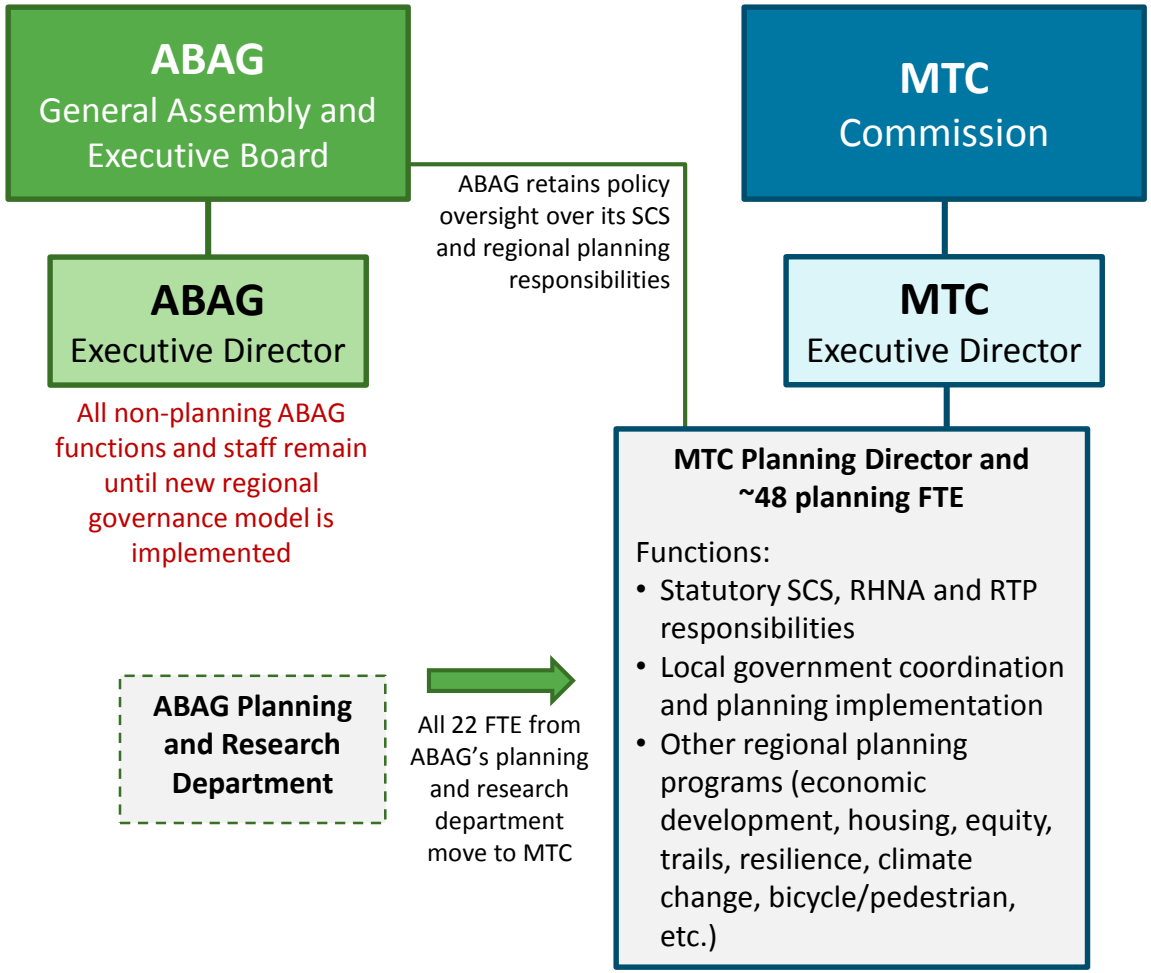
Management Partners

Option 7
(continued)

Create a new regional governance model and consolidate regional planning functions

STEP TWO

- Amend MTC Resolution 4210 to include consolidation of all planning functions



For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 7
(continued)

Create a new regional governance model and consolidate regional planning functions

STEP THREE

- Create a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)

ABAG
General Assembly and Executive Board

MTC
Commission

Enter into MOU
that sets forth the principles and parameters to guide creation of a new governance model

Create new regional governance model

Integrate functional responsibilities of MPO and COG

Organization governance, structure and staffing to be determined based on agreements reached during the process

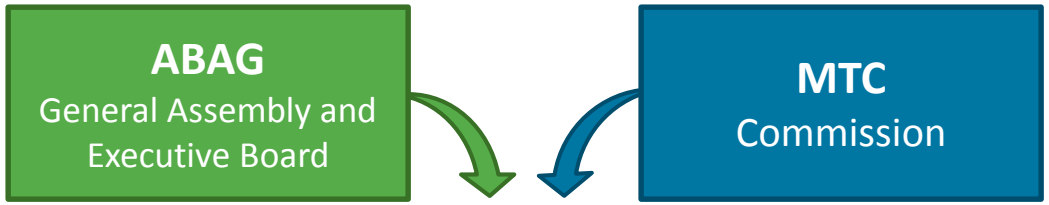
Management Partners

Option 8

Pursue a new regional governance model and develop an interim funding framework to support ABAG planning functions

STEP ONE

- Enter into an MOU to pursue a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)



Enter into MOU
that sets forth the principles, parameters, and objective(s) to guide a joint effort to pursue a new governance model

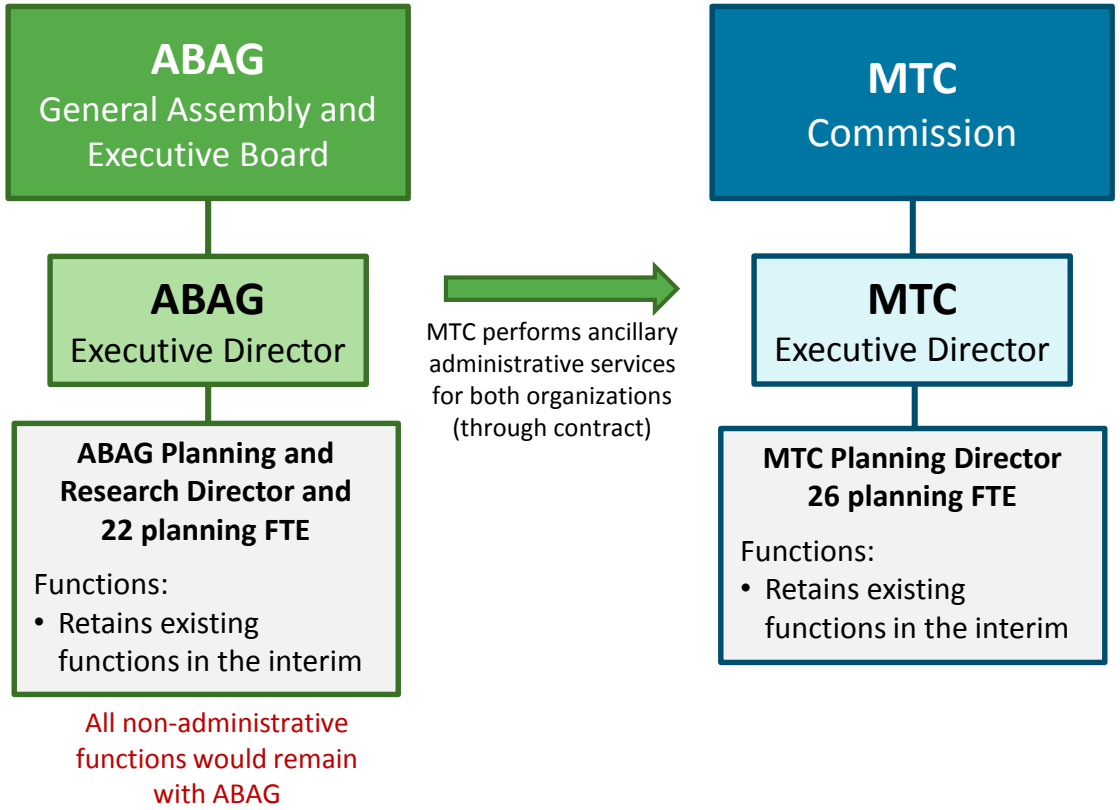
Management Partners

Option 8
(continued)

Pursue a new regional governance model and develop an interim funding framework to support ABAG planning functions

STEP TWO

- Enter into an interim funding framework with ABAG to support its planning functions
- Pursue opportunities to consolidate ancillary administrative services following move to new headquarters building
- ABAG JPA to remain



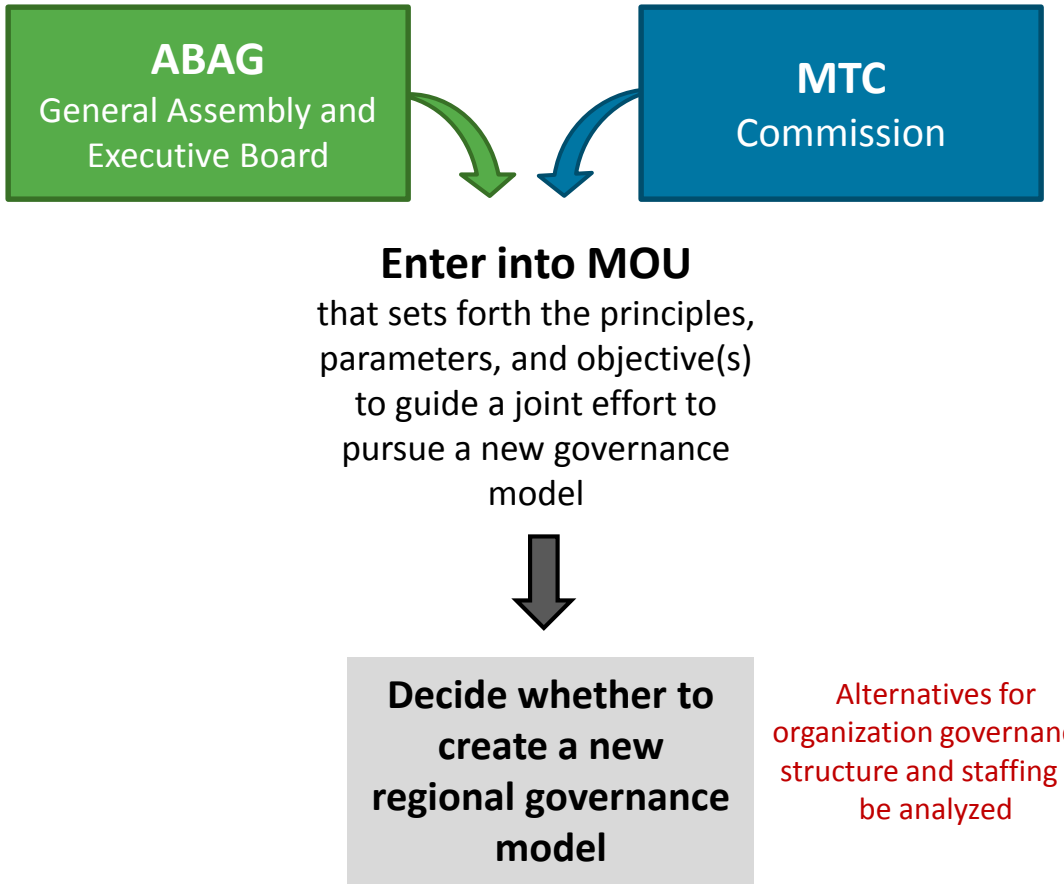
For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities)

Option 8
(continued)

Pursue a new regional governance model and develop an interim funding framework to support ABAG planning functions

STEP THREE

- Decide whether to create a new regional governance model



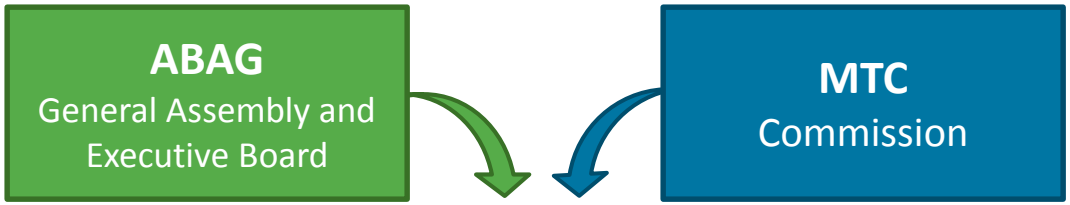
Management Partners

Option 9

Create a new regional governance model and consolidate all ABAG functions with MTC (existing governance structures and statutory responsibilities to remain)

STEP ONE

- Enter into an MOU to jointly create a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)



Enter into MOU
that sets forth the principles and parameters to guide creation of a new governance model

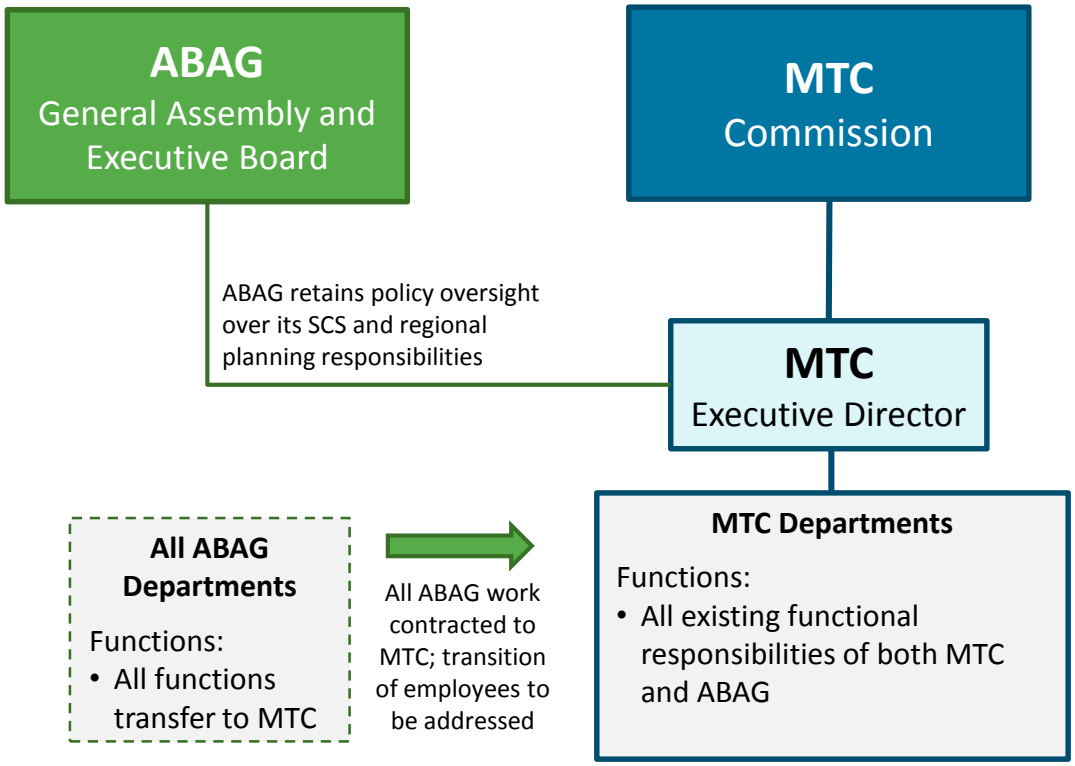
Management Partners

Option 9
(continued)

Create a new regional governance model and consolidate all ABAG functions with MTC (existing governance structures and statutory responsibilities to remain)

STEP TWO

- Enter into a contract with MTC to develop and manage a new merged staff work program that supports all ABAG planning programs, activities and administrative functions and responsibilities (transition of employees to be addressed)
- The existing ABAG governing structure would continue to serve as policy oversight for statutory and program responsibilities



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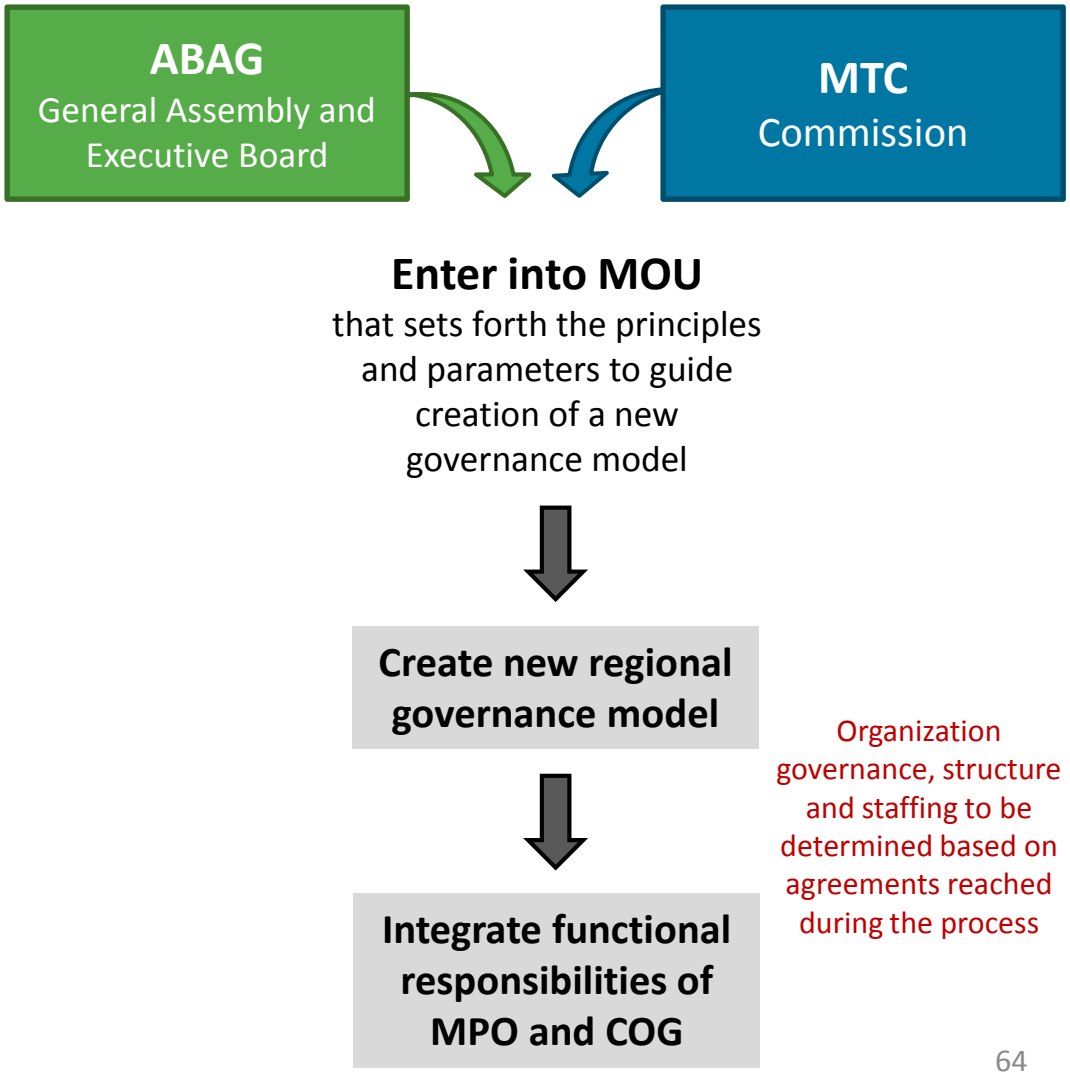
Option 9
(continued)

Create a new regional governance model and consolidate all ABAG functions with MTC (existing governance structures and statutory responsibilities to remain)

STEP THREE

- Create a new regional governance model that integrates the MPO (MTC) and the COG (ABAG)



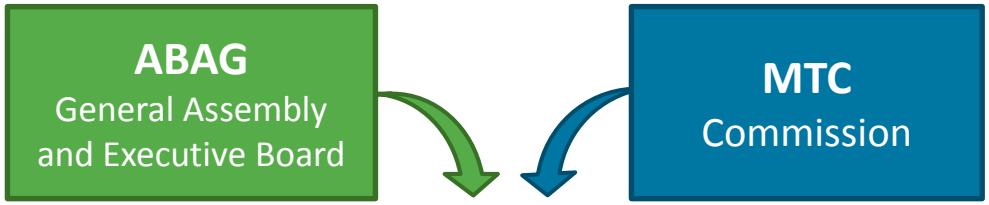
Management Partners

Option 10
(Continued)

Pursue new governance options, consolidate regional planning functions and contract with MTC for some or all ABAG functions (existing governance structures and statutory responsibilities to remain)

STEP ONE

- Enter into MOU to pursue new regional governance models



Enter into MOU
that sets forth the principles, parameters, and objective(s) to guide a joint effort to pursue a new governance model

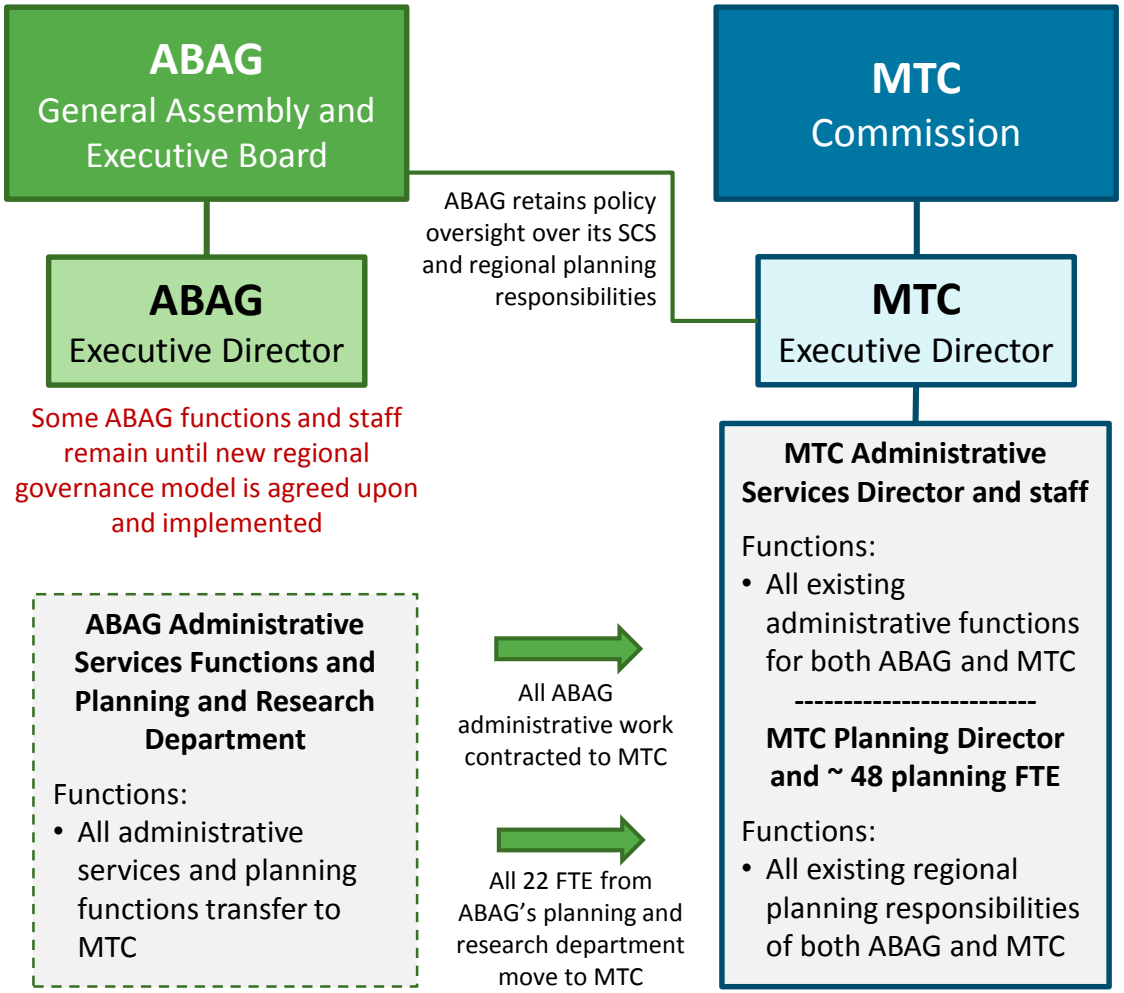
Management Partners

Option 10
(continued)

Pursue new governance options, consolidate regional planning functions and contract with MTC for some or all ABAG functions (existing governance structures and statutory responsibilities to remain)

STEP TWO

- Amend MTC Resolution 4210 to consolidate all planning functions within MTC
- Contract with MTC to provide staff support of ABAG administrative and other services, as agreed upon (transition of employees to be addressed)
- The existing ABAG governing structure would continue to serve as policy oversight for statutory and program responsibilities



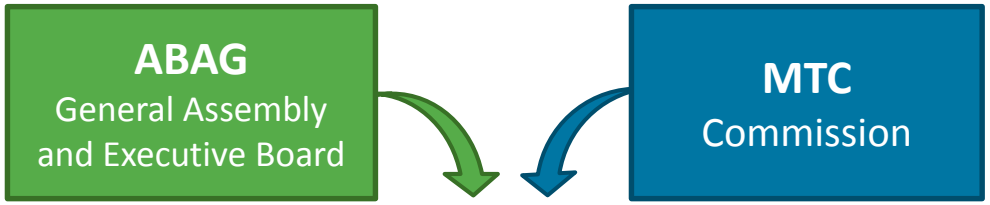
Management Partners

Option 10
(Continued)

Pursue new governance options, consolidate regional planning functions and contract with MTC for some or all ABAG functions (existing governance structures and statutory responsibilities to remain)

STEP THREE

- Decide whether to create a new regional governance model



Enter into MOU
that sets forth the principles, parameters, and objective(s) to guide a joint effort to pursue a new governance model

Decide whether to create a new regional governance model

Alternatives for organization governance, structure and staffing to be analyzed

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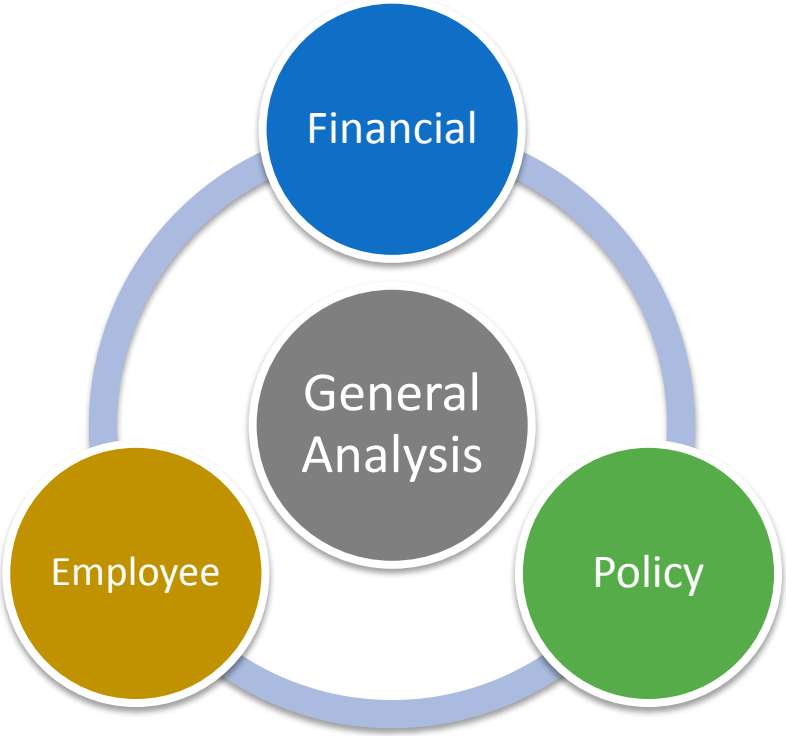
General Analysis Framework

- General analysis will be focused around 3 major impact areas



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Evaluation Criteria

- Proposed Evaluation Criteria (likelihood of achieving each objective to be assessed as high, medium or low)
  A. Operational effectiveness and accountability
  B. Transparency in policy decision making
  C. Core service delivery and financial sustainability
  D. Implementation viability

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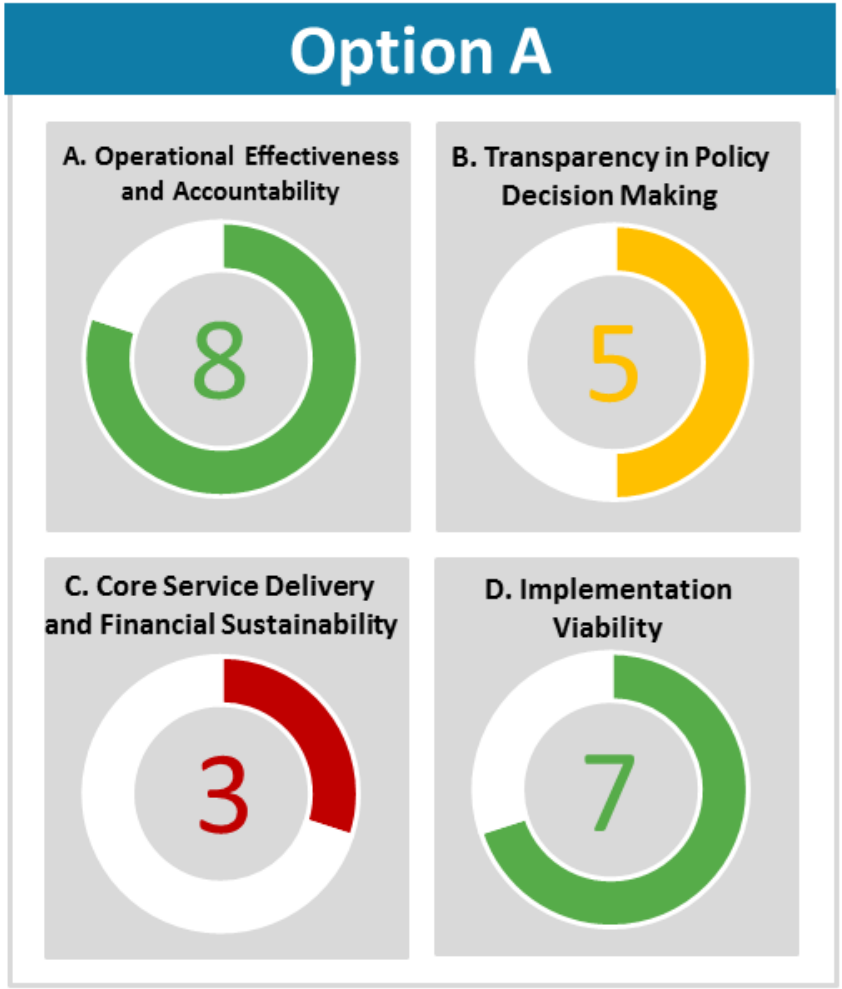
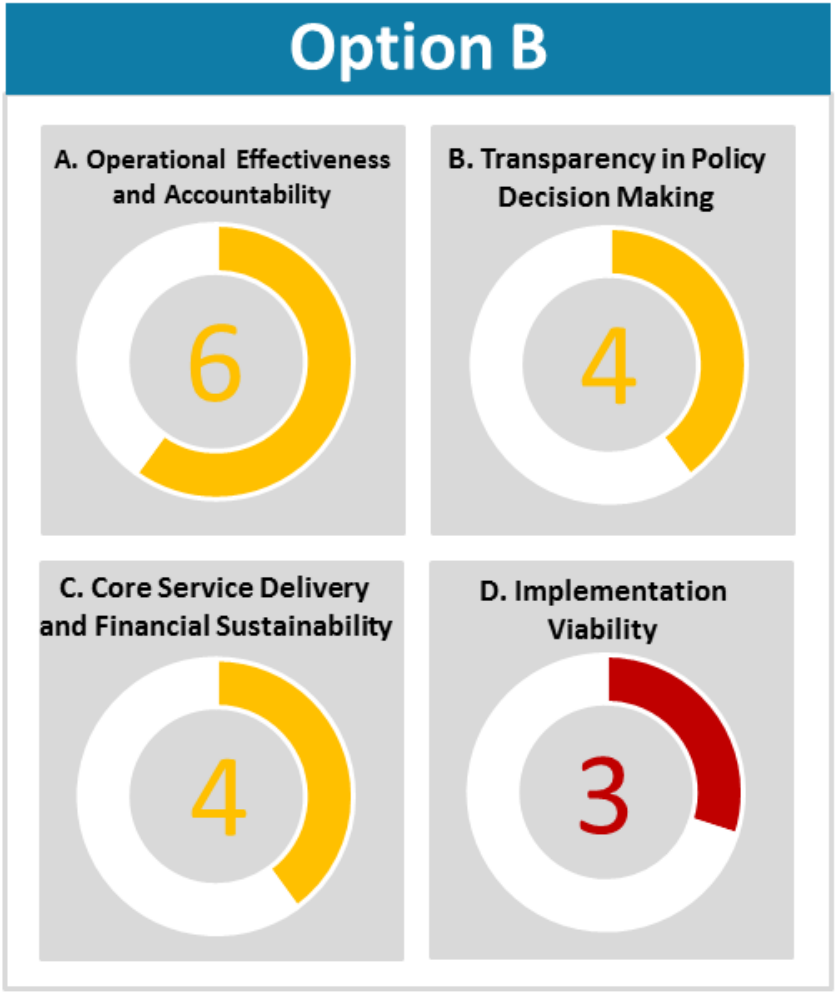
Analysis Framework

Example of Options Comparison based on Criteria





Next Steps

- At the next Joint Committee Meeting on April 22:
  - Analysis of options
  - Management Partners recommendations

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