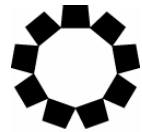


ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

AGENDA

FINANCE COMMITTEE

Thursday, March 15, 2018, 5:00 p.m.

Location:

Bay Area Metro Center
Board Room
375 Beale Street
San Francisco, California

Teleconference Locations:

County Government Center, 70 W. Hedding Street, 1st floor, Room 157, San Jose, CA 95110
San Jose McEnery Convention Center, East Entrance, 150 W San Carlos St, San Jose, CA
95113

Committee Members:

Karen Mitchoff, Supervisor, County of Contra Costa—*Chair*
Annie Campbell Washington, Councilmember, City of Oakland
Cindy Chavez, Supervisor, County of Santa Clara
Dave Cortese, Supervisor, County of Santa Clara
Pradeep Gupta, Mayor, City of South San Francisco
Scott Haggerty, Supervisor, County of Alameda
Erin Hannigan, Supervisor, County of Solano—*Vice Chair*
Julie Pierce, Councilmember, City of Clayton—*Ex officio*
David Rabbitt, Supervisor, County of Sonoma—*Ex officio*
Greg Scharff, Mayor, City of Palo Alto—*Ex officio*

The ABAG Finance Committee may act on any item on this agenda.

Agenda and attachments available at <http://abag.ca.gov/meetings/financepersonnel.html>

*This meeting is scheduled to be webcast live at
<http://abag.ca.gov/meetings/financepersonnel.html>*

For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913.

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

2. PUBLIC COMMENT

INFORMATION

ABAG Finance Committee

March 15, 2018

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3. COMMITTEE ANNOUNCEMENTS

INFORMATION

4. APPROVAL OF ABAG FINANCE COMMITTEE SUMMARY MINUTES OF MEETING ON JANUARY 18, 2018

ACTION

Attachment: Summary Minutes of January 18, 2018

5. REPORT ON FINANCIAL STATEMENTS FROM JULY TO DECEMBER 2017 (UNAUDITED)

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Financial Statements; Financial Report Net Surplus Deficit

6. ABAG CONTRACTS AND PURCHASE REQUISITIONS BETWEEN \$20,000 AND \$50,000 FROM NOVEMBER TO DECEMBER 2017

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachment: Memo Contracts between \$20,000 and \$50,000

7. REPORT ON INVESTMENTS FOR JANUARY 2018

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Investment; Investment Report

8. RECOMMEND REAUTHORIZATION OF ABAG INVESTMENT POLICY—ABAG RESOLUTION NO. 06-17

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Investment Policy; ABAG Resolution No. 06-17

9. REPORT ON ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

ACTION

Brad Paul, MTC Deputy Executive Director, Local Government Services, will give the staff report.

Attachment: Memo ABAG FAN

10. RECOMMEND EXECUTIVE BOARD ADOPTION OF ABAG RESOLUTION NO. 01-18 ESTABLISHING BYLAWS OF THE ADVANCING CALIFORNIA FINANCE AUTHORITY

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo ACFA Bylaws; ABAG Resolution No. 01-18

ABAG Finance Committee

March 15, 2018

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11. RECOMMEND GENERAL ASSEMBLY ADOPTION OF PROPOSED BUDGET AND WORK PROGRAM FOR FISCAL YEAR 2018-2019

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Budget Work Plan; Proposed Operating Budget; Proposed Work Program

12. AUTHORIZATION TO ENTER INTO A CONTRACT WITH PWC TO PROVIDE ANNUAL FINANCIAL AND COMPLIANCE AUDIT SERVICES FOR FIVE FISCAL YEARS IN THE AMOUNT OF \$402,000

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Annual Financial and Compliance Audit; Summary Approval

13. PROPOSED MODIFICATION OF MEMBERSHIP DUES

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachment: Memo Membership Dues

14. ADJOURNMENT

The next regular meeting of the ABAG Finance Committee is on May 17, 2018.

Date Submitted: March 5, 2018

Date Posted: March 12, 2018

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SUMMARY MINUTES (DRAFT)

ABAG Finance Committee Meeting
Thursday, January 18, 2018
Bay Area Metro Center
375 Beale Street, Board Room
San Francisco, California

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

ABAG Finance Committee Vice Chair Greg Scharff, Councilmember, City of Palo Alto, called the meeting to order at about 5:00 p.m.

A quorum of the Committee was present at about 5:00 p.m.

Members Present

Greg Scharff, Councilmember, City of Palo Alto—*Vice Chair*
David Cortese, Supervisor, County of Santa Clara
Pradeep Gupta, Councilmember, City of South San Francisco
Scott Haggerty, Supervisor, County of Alameda
Erin Hannigan, Supervisor, County of Solano
Julie Pierce, Councilmember, City of Clayton—*Ex officio*
David Rabbitt, Supervisor, County of Sonoma—*Ex officio*

Members Absent

Karen Mitchoff, Supervisor, County of Contra Costa—*Chair*
Annie Campbell Washington, Councilmember, City of Oakland
Cindy Chavez, Supervisor, County of Santa Clara

Staff Present

Steve Heminger, MTC Executive Director
Adrienne Weil, MTC General Counsel
Alix Bockelman, MTC Deputy Executive Director, Policy
Brad Paul, MTC Deputy Executive Director, Local Government Services
Courtney Ruby, MTC Administration and Facilities Director
Sonia Elsonbaty, MTC Finance
Russell Yuen, MTC Finance
Denise Rodriguez, MTC Contract Compliance Manager

2. ELECTION OF COMMITTEE CHAIR AND VICE CHAIR FOR 2018 AND DESIGNATION OF TERM OF OFFICE

Steve Heminger, MTC Executive Director, reported that the ABAG Finance Committee elects its Chair and Vice Chair at the first meeting of the year for the 2018 term. The results will be ratified by the ABAG Executive Board.

Vice Chair Scharff called for nominations for Chair and Vice Chair. Karen Mitchoff, Supervisor, County of Contra Costa was nominated for Chair. Erin Hannigan, Supervisor, County of Solano, was nominated for Vice Chair. Mitchoff was unanimously elected Chair. Hannigan was unanimously elected Vice Chair.

3. PUBLIC COMMENT

There was no public comment.

4. COMMITTEE ANNOUNCEMENTS

There were no committee member announcements.

5. APPROVAL OF ABAG FINANCE AND PERSONNEL COMMITTEE SUMMARY MINUTES OF MEETING ON NOVEMBER 16, 2017

Vice Chair Scharff recognized a motion by Julie Pierce, Councilmember, City of Clayton, which was seconded by Pradeep Gupta, Councilmember, City of South San Francisco, to approve the ABAG Finance and Personnel Committee summary minutes of the meeting on November 16, 2017.

Hannigan commented on the description of individuals in the minutes.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese, Mitchoff.

The motion passed unanimously.

6. REPORT ON FINANCIAL STATEMENTS FROM JULY TO OCTOBER 2017 (UNAUDITED)

Sonia Elsonbaty, MTC Finance, gave the staff report on the Financial Statements from July to October 2017 (Unaudited). As of October 31, 2017, total revenue for the first four months of the fiscal year amounted to \$18.3 million, exceeding the expenses total of \$10.5 million. Earned premiums and grant revenue are the largest revenue sources at 73% of total revenue. There were no contracts approved between \$20,000 and \$50,000 from July to October 2017.

Vice Chair Scharff recognized a motion by Pierce, which was seconded by Hannigan, to accept the staff report.

There was no discussion.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese, Mitchoff.

The motion passed unanimously.

7. REPORT ON INVESTMENTS FOR NOVEMBER 2017

Russell Yuen, MTC Finance, gave the staff report on the Investment Report for November 2017. As of November 30, 2017, total funds under ABAG management are just under \$75 million. Seventy percent of the current portfolio consists of assets owned by the PLAN and SHARP operations. The PLAN and SHARP assets will be transferred to a new administrator subject to a new operating agreement; staff is in the process of completing this transfer.

Vice Chair Scharff recognized a motion by Hannigan, which was seconded by Pierce, to accept the staff report.

There was no discussion.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese, Mitchoff.

The motion passed unanimously.

8. REPORT ON AUDITED FINANCIAL REPORTS FOR FY 2016-17

Courtney Ruby, MTC Administration and Facilities Director, gave the staff report on the Audited Financial Reports for FY 2016-17. ABAG's independent auditors, Maze and Associates, issued an unqualified opinion on the ABAG financial statements. ABAG's financial statements present fairly, in all material respects, the financial position of ABAG at June 30, 2017 and the financial transactions for the fiscal year July 1, 2016 through June 30, 2017. The Single Audit Report does not contain any findings of questioned costs or failures of ABAG to comply with federal regulations that might result in a disallowance of significant costs claimed on federal grants. The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses.

Vice Chair Scharff recognized a motion by Pierce, which was seconded by Hannigan, to accept the staff report.

There was no discussion.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese, Mitchoff.

The motion passed unanimously.

9. APPROVAL OF CONTRACT—BUSINESS INSURANCE BROKER, CONSULTATION THIRD PARTY INSURANCE CERTIFICATE MANAGEMENT SERVICES—USI INSURANCE SERVICES

Denise Rodriguez, MTC Contract Compliance Manager, gave the staff report on the contract for business insurance broker, consultation third party insurance certificate management services with USI Insurance Services.

Vice Chair Scharff recognized a motion by Hannigan, which was seconded by Gupta, to accept the staff report and to recommend Executive Board approval of the contract for business insurance broker, consultation third party insurance certificate management services with USI Insurance Services.

There was no discussion.

There was no public comment.

The aye votes were: Cortese, Gupta, Haggerty, Hannigan, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Mitchoff.

The motion passed unanimously.

10. ADJOURNMENT

Vice Chair Scharff adjourned the meeting of the Finance Committee at about 5:16 p.m.

The next meeting of the Finance Committee will be on March 15, 2018.

Submitted:

/s/ Fred Castro, Clerk of the Board

Date Submitted: January 29, 2018

Date Approved:

For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913 for fcastro@bayareametro.gov.

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **Report on ABAG Financial Statements from July to December 2017 (Unaudited)**

Attached please find the financial statements for the period of July 1, 2017 through December 31, 2017. The Budget to Actual Report by Program presents an overview of the FY 2017-18 budget as well as year-to-date revenue and expenses data.

Overall Summary

As of December 31, 2017, total revenue for the first six months of the fiscal year amounted to \$25.7 million exceeding the expenses total of \$16.5 million. Grant revenue and the new SF Bay Restoration Authority Parcel tax revenues are the largest revenue sources at 73% of total revenue. The following are highlights of the financial reports:

ABAG Administration – Membership dues are completely paid as of October. CALPERS retirement and medical retiree expenses are 65% of total expense.

SF Bay Restoration Authority - The Restoration Authority revenue is being collected from a parcel tax in each county starting in December 2017. The first payments of \$7.4 million have been received and will be available for programming. The balance of the revenue is due in April.

POWER - Sale of energy revenue is in line with the budget. Operating expenses are under budget due to lower use of natural gas in the summer months.

FAN – Expenses and revenues are consistent with the budget.

We are fiscal agents only for SF Bay Restoration Authority and are presenting financial information for informational purposes only.

If you have any questions about this report, please contact Brian Mayhew at (415) 778-6730.

Report on ABAG Financial Statements from July to December 2017 (Unaudited)

March 8, 2018

Page 2

Recommended Action

The Finance Committee is requested to accept the staff report.



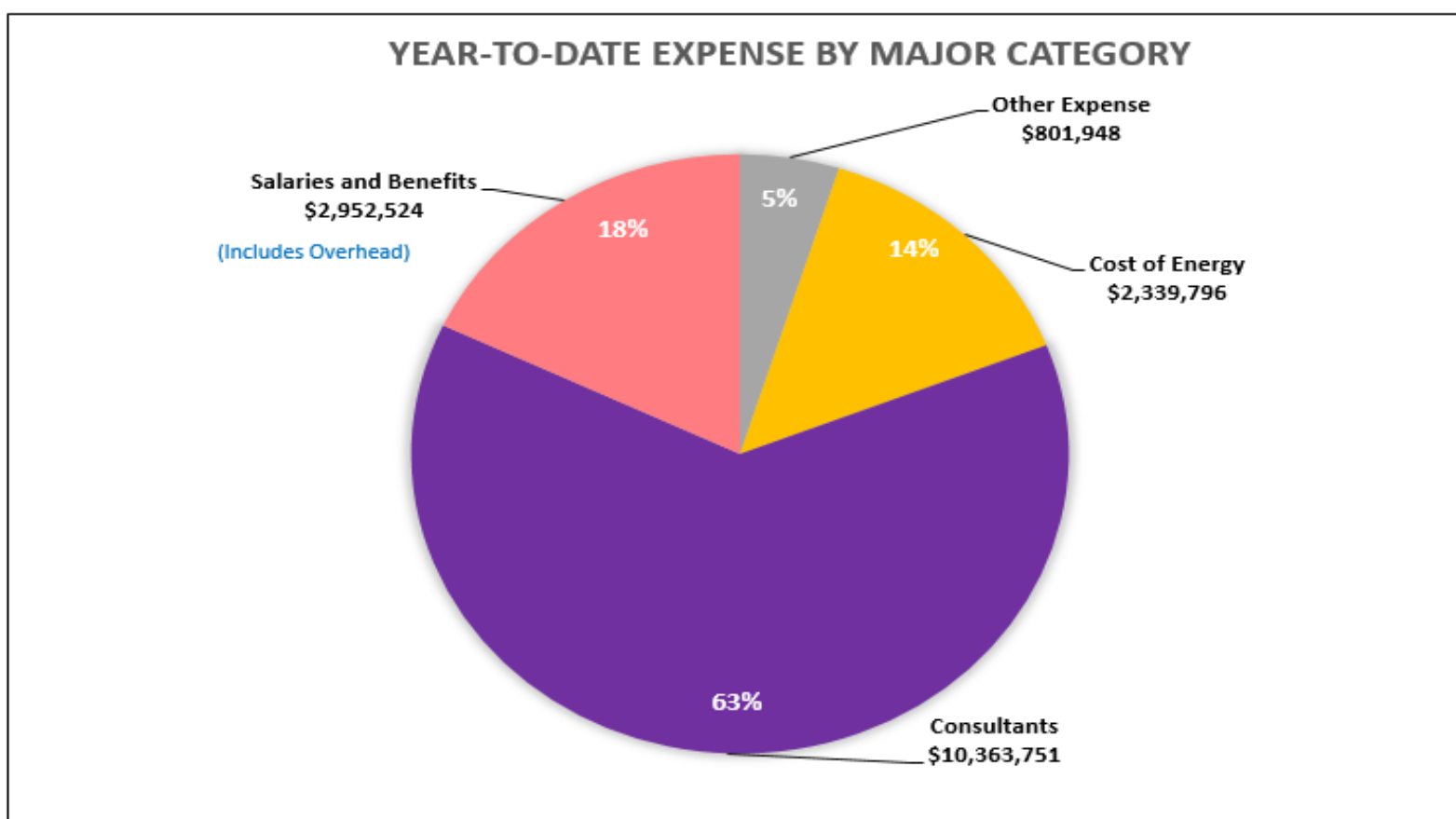
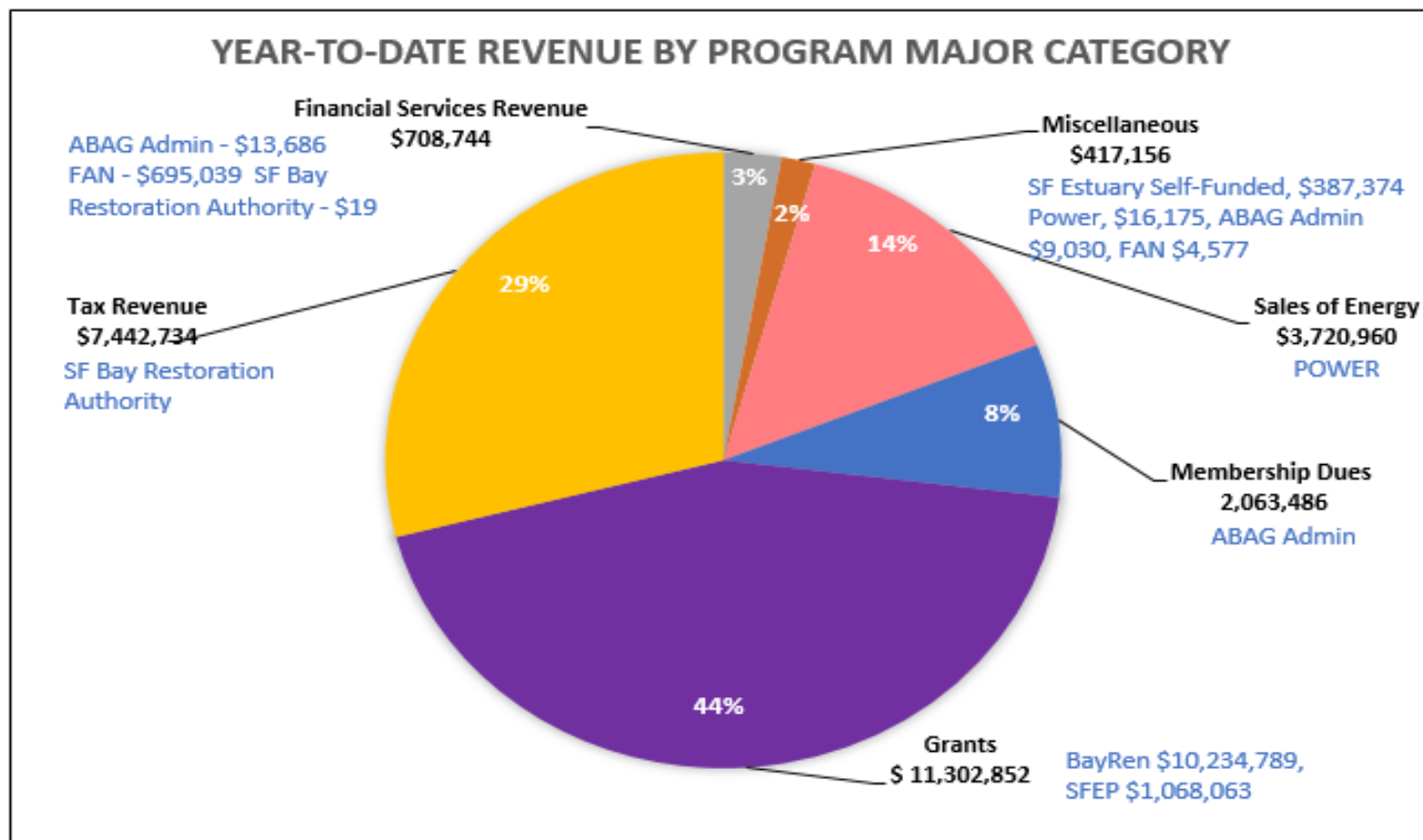
Steve Heminger

Attachment

Financial Statements

Report by Program of Net Surplus/ (Deficit)
July - December 31, 2017 (50% of year)

Fund	Approved FY18 Budget	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/ (Deficit)	% of Expense Budget
SF Bay Restoration Authority	555,700	7,442,753	115,387	7,327,366	21%
ABAG POWER	7,450,552	3,737,136	2,529,339	1,207,797	34%
ABAG Admin	2,068,401	2,086,202	1,769,151	317,051	86%
SF Estuary Self-funded Fund (State of the Estuary Conference, Estuary Newsletter, Admin-civil Liab, Bay-Delta Conf Registration)	246,716	387,374	145,673	241,701	59%
FAN	826,619	699,616	574,872	124,744	70%
BayRen - Energy	17,536,904	10,234,789	10,248,931	(14,142)	58%
SF Estuary Partnership	39,008,792	1,068,063	1,074,667	(6,604)	3%
Total	67,693,684	25,655,933	16,458,020	9,197,913	24%



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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from November to December 2017**

From November to December 2017, ABAG had the following contracts and purchase requisitions between \$20,000 and \$50,000:

Purchase Requisitions:

- San Francisco Estuary Partnership – Scottish Rite Center, \$23,980.

Contracts

- BayREN – RCPA, on behalf of Sonoma County, \$20,000.
- BayREN – City and County of San Francisco, \$40,000.
- BayREN – Blue Point Planning, \$48,425.

If you have any questions about this report, please contact Brian Mayhew at (415) 778-6730.

Recommended Action

The Finance Committee is requested to accept the staff report.

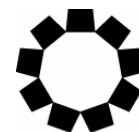


Steve Heminger

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

Date: March 8, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **Investment Report for January 2018**

In accordance with the adopted investment policy, attached are the investment holdings as of January 31, 2018 for ABAG and all its operating units.

Total funds under ABAG management are just under \$36 million. A breakdown by fund is as follows:

<u>Fund</u>	<u>Market Value (\$ million)</u>	<u>% of Total</u>
ABAG Admin	\$ 1.7	4.8%
ABAG San Francisco Estuary Partnership	3.9	10.8%
ABAG BayRen	2.6	7.2%
Other*	0.3	0.7%
Subtotal ABAG	8.5	23.5%
ABAG Fin Auth Non-Profit (FAN)	4.2	11.8%
ABAG FAN CFD 2007 Windemere	0.3	0.9%
ABAG FAN CFD 690 & 942 Market St	1.1	3.2%
ABAG FAN CFD SF Mint	0.3	0.9%
ABAG FAN CFD 2014 & 2017 Windemere	2.9	8.0%
ABAG FAN CFD SF Rincon	1.5	4.2%
Subtotal ABAG FAN	10.3	29.0%
San Francisco Bay Restoration Authority	13.9	38.9%
ABAG Power	3.1	8.6%
Portfolio Total	\$ 35.8	100.0%

* Includes Balance Foundation, San Francisco Bay Trail, and ABAG Finance Corp

Investment Report for January 2018

March 8, 2018

Page 2

ABAG General Administration funds are now at \$1.7 million. The \$1.7 million is net of advances of \$1 million and \$900,000 made to the San Francisco Estuary Partnership (SFEP) and BayRen respectively. This level of advance by ABAG is not sustainable given ABAG only has \$2 million per year in operating revenue.

The \$3.9 million in SFEP nets down to only \$500,000 when \$1.8 million in accounts payable and a \$1.6 million advance against a Caltrans grant are taken into account. The balance will be transferred to ABAG by year-end.

The \$2.6 million in BayRen actually nets to zero available assets after accounting for amounts owed to ABAG and grant advances from PG&E.

The portfolio breakdown is as follows:

<u>Security Holding</u>	<u>Portfolio Composite</u>	<u>Policy Limits</u>
Cash	58.4%	No limit
Gov't Pools	21.5%	No limit
CalTrust Medium-Term Fund	2.9%	No limit
Mutual Funds (Trustee)	17.2%	No limit
Portfolio Total	100.0%	

Liquidity Summary of ABAG Portfolio

Maturity	Market Value (\$ million)	% of Total Portfolio	Cumulative Minimum Level per ABAG Investment Policy
30 days or less	\$ 34.8	97%	10%
90 days or less	34.8 cumulative	97% cumulative	15%
1 year or less	34.8 cumulative	97% cumulative	30%
1-5 years	1.0	3%	

The weighted maturity of the ABAG portfolio is 21 days.

If there are any questions, please contact Brian Mayhew at (415) 778-6730.


Steve Heminger

Attachment

Investment Report

ABAG
Summary by Type
January 31, 2018
Grouped by Fund

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: ABAG ADMIN						
Passbook/Checking Accounts	4	1,158,599.35	1,158,599.35	3.23	0.004	1
Local Agency Investment Funds	1	559,912.25	559,912.25	1.56	1.350	1
Subtotal	5	1,718,511.60	1,718,511.60	4.79	0.443	1
Fund: ABAG SF ESTUARY PARTNERSHIP						
Local Agency Investment Funds	1	1,661,820.23	1,661,820.23	4.64	1.350	1
Passbook/Checking Accounts	3	2,209,931.87	2,209,931.87	6.17	0.000	1
Subtotal	4	3,871,752.10	3,871,752.10	10.81	0.579	1
Fund: ABAG BAYREN						
Passbook/Checking Accounts	3	2,575,843.26	2,575,843.26	7.19	0.094	1
Subtotal	3	2,575,843.26	2,575,843.26	7.19	0.094	1
Fund: ABAG BALANCE FOUNDATION						
Passbook/Checking Accounts	2	5,414.13	5,414.13	0.02	0.000	1
Local Agency Investment Funds	1	58,347.71	58,347.71	0.16	1.350	1
Subtotal	3	63,761.84	63,761.84	0.18	1.235	1
Fund: SAN FRANCISCO BAY TRAIL						
Passbook/Checking Accounts	3	156,062.90	156,062.90	0.44	0.000	1
Subtotal	3	156,062.90	156,062.90	0.44	0.000	1
Fund: ABAG FINANCE CORP						
Passbook/Checking Accounts	1	25,935.20	25,935.20	0.07	0.000	1
Subtotal	1	25,935.20	25,935.20	0.07	0.000	1
Fund: SF BAY RESTORATION AUTHORITY						
Passbook/Checking Accounts	3	13,946,971.14	13,946,971.14	38.92	0.000	1
Subtotal	3	13,946,971.14	13,946,971.14	38.92	0.000	1

ABAG
Summary by Type
January 31, 2018
Grouped by Fund

Page 2

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: ABAG POWER						
Local Agency Investment Funds	1	2,550,048.85	2,550,048.85	7.12	1.350	1
Passbook/Checking Accounts	2	526,599.48	526,599.48	1.47	0.000	1
Subtotal	3	3,076,648.33	3,076,648.33	8.59	1.119	1
Fund: ABAG FIN AUTH NONPROFIT						
Passbook/Checking Accounts	2	335,732.41	335,732.41	0.94	0.000	1
Mutual Funds - Custodial	1	1,040,422.47	1,027,057.80	2.87	1.970	1
Local Agency Investment Funds	1	2,864,231.58	2,864,231.58	7.99	1.350	1
Subtotal	4	4,240,386.46	4,227,021.79	11.80	1.395	1
Fund: ABAG FAN CFD 2007 WINDEMERE						
Mutual Funds - Trustee	5	320,344.03	320,344.03	0.89	1.190	1
Subtotal	5	320,344.03	320,344.03	0.89	1.190	1
Fund: ABAG FAN CFD 690&942 MRKT ST						
Mutual Funds - Trustee	4	1,134,676.08	1,134,676.08	3.17	1.190	1
Subtotal	4	1,134,676.08	1,134,676.08	3.17	1.190	1
Fund: ABAG FAN CFD 2006-2 SF MINT						
Mutual Funds - Trustee	3	337,318.76	337,318.76	0.94	1.190	1
Subtotal	3	337,318.76	337,318.76	0.94	1.190	1
Fund: ABAG FAN CFD 2014&17 WINDEMERE						
Mutual Funds - Trustee	2	2,867,556.72	2,867,556.72	8.00	1.190	1
Subtotal	2	2,867,556.72	2,867,556.72	8.00	1.190	1
Fund: ABAG FAN CFD 2006-1 SF RINCON						
Mutual Funds - Trustee	5	1,514,526.76	1,514,526.76	4.23	1.190	1
Subtotal	5	1,514,526.76	1,514,526.76	4.23	1.190	1
Total and Average	48	35,850,295.18	35,836,930.51	100.00	0.559	1 *

* Average Days to Maturity of the CALTRUST MEDIUM-TERM FUND is 697 days

The adjusted Average Days to Maturity of the ABAG Portfolio is 21 days

ABAG
Summary by Issuer
January 31, 2018

Issuer	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
BLK ROCK T-FUND TRUSTEE	19	6,174,422.35	6,174,422.35	17.23	1.190	1
BANK OF THE WEST ANALYZED CKG	9	815,244.58	815,244.58	2.27	0.000	1
BANK OF THE WEST BUS INT CKG	3	452,211.07	452,211.07	1.26	0.010	1
BK OF THE WEST MONEY MKT ADV B	1	65,078.42	65,078.42	0.18	0.000	1
BANK OF THE WEST MONEY MKT SEL	2	2,441,459.05	2,441,459.05	6.81	0.100	1
CALTRUST MED TERM FD	1	1,040,422.47	1,027,057.80	2.87	1.970	1
LOCAL AGENCY INVESTMENT FUND	5	7,694,360.62	7,694,360.62	21.47	1.350	1
UNION BANK CHECKING	7	3,271,439.94	3,271,439.94	9.13	0.000	1
UNION BANK SFBRA	1	13,895,656.68	13,895,656.68	38.77	0.000	1
Total and Average	48	35,850,295.18	35,836,930.51	100.00	0.559	1 *

* Average Days to Maturity of the CALTURST MEDIUM-TERM FUND is 697 days

The adjusted Average Days to Maturity of the ABAG Portfolio is 21 days

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Recommend Reauthorization of ABAG Investment Policy—ABAG Resolution No. 06-17**

ABAG's Investment Policy, Resolution No. 06-17, was approved on June 9, 2017. The policy is subject to review annually. There are no proposed changes to the policy as adopted last year.

Recommended Action

The Finance Committee is requested to recommend Executive Board reauthorization of the ABAG Investment Policy for calendar year 2018.



Steve Heminger

Attachment

Investment Policy

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**ASSOCIATION OF BAY AREA GOVERNMENTS
ADMINISTRATIVE COMMITTEE**

RESOLUTION NO. 06-17

INVESTMENT POLICY

WHEREAS, the Association of Bay Area Governments (ABAG) is a joint powers entity created pursuant to Government Code §§ 6500 et seq. and serves as the Bay Area's Council of Governments; and

WHEREAS, ABAG has the responsibility to manage funds received in accordance with the provisions of Government Code §§ 53600 et seq. and a Statement of Investment Policy adopted pursuant to those statutory provisions; and

WHEREAS, pursuant to a Contract for Services (CS) between the Metropolitan Transportation Commission (MTC) and ABAG dated May 30, 2017, ABAG and MTC will be consolidating their respective staffs effective July 1, 2017; and

WHEREAS, pursuant to the CS, the consolidated staff will manage ABAG's finances in a manner that is compatible with ABAG's policies; and

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

NOW, THEREFORE, BE IT RESOLVED, that the Administrative Committee of the Association of Bay Area Governments hereby:

1. Authorizes MTC to open new and manage or close existing accounts with banks, financial institutions, and government pooled investment funds as needed in order to manage ABAG's cash and investments under MTC signatures utilizing ABAG's tax identification number.
2. Adopts the Statement of Investment Policy as set forth in Attachment A to this Resolution, attached hereto and incorporated herein as though set forth at length.
3. This Resolution shall take precedence over any prior Resolutions to the extent that they may conflict herewith or with Attachment A.

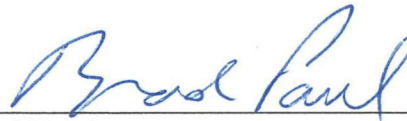
The foregoing was adopted by the Administrative Committee this 9th day of June, 2017.



Julie Pierce
Chair

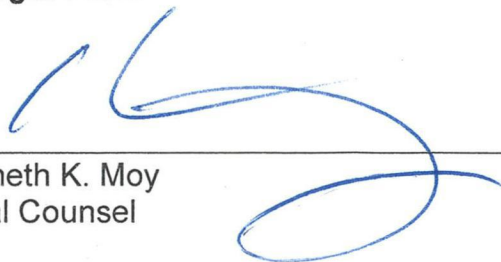
Certification of Administrative Committee Approval

I, the undersigned, the appointed and qualified Secretary-Treasurer of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Administrative Committee of the Association at a duly called meeting held on the 9th day of June, 2017.



Brad Paul
Acting Secretary-Treasurer

Approved as To Legal Form



Kenneth K. Moy
Legal Counsel

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

Attachment A

Statement of Investment Policy

The Treasurer of the Metropolitan Transportation Commission (MTC) shall invest all funds over which MTC is administratively responsible, including those of MTC, MTC Service Authority for Freeways and Expressways (SAFE), the Bay Area Toll Authority (BATA), the Regional Administrative Facility Corporation (RAFC), the Bay Area Headquarters Authority (BAHA) the Bay Area Infrastructure Financing Authority (BAIFA), *and the Association of Bay Area Governments (ABAG) a separate joint powers authority, and its affiliated entities, for which MTC is accepting administrative responsibility for management of funds, effective July 1, 2017 pursuant to a contract for services dated May 30, 2017* in accordance with the provisions of §§ 53600 *et seq.* of the Government Code and the provisions of this investment policy.

I. Prudent Investor Rule:

Funds shall be managed under the “prudent investor standard” which requires all agencies investing public funds to be trustees of those funds, and therefore, fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under circumstances then prevailing, including, but not limited to, the general economic conditions and anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. All funds shall be invested within the following objectives, in order of priority:

1. Safety: Preservation and safeguard of capital.
2. Liquidity: Funds shall be invested in a manner consistent with operating needs of the agency.
3. Yield: Funds shall be invested to earn a secured and safe return without compromising the objectives of safety and liquidity.

II. Permitted Investments:

Investments authorized under this policy shall be limited to:

- A. United States treasury notes, bonds or bills for which the full faith and credit of the United States are pledged for the payment of principal and interest.
- B. Bonds, notes, bills, warrants or obligations issued by an agency of the United States.

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

- C. Commercial Paper of "prime" quality of the highest ranking or of the highest letter and numerical rating provided by Moody's Investor Services or Standard & Poor's Corporation.

Eligible paper is further limited to issuing corporations organized and operating in the United States and having total assets in excess of five hundred million dollars (\$500,000,000) and having an "A" or higher rating for the issuers' debt, other than commercial paper, if any, as provided by Moody's Investor Services or Standard & Poor's Corporation or the equivalent of other nationally recognized rating services that may be allowed by statute. Purchases shall not exceed 180 days maturity, 10% of the outstanding commercial paper of a single issuing corporation and 10% of the agency's surplus money.

- D. Negotiable certificates of deposit issued by a nationally or State chartered bank, not to exceed 10% of surplus agency funds.
- E. Medium-Term notes of a maximum five years maturity issued by corporations meeting criteria in Section C, not to exceed 10% of agency's surplus funds.
- F. Mutual funds registered with the Securities and Exchange Commission, having attained the highest letter and numerical ranking by at least two Nationally recognized statistical rating organizations. Such investments shall not exceed 20% of surplus funds, with no more than 10% invested in any single mutual fund.
- G. Local Agency Investment Fund (LAIF) as authorized by Government Code §§ 16429.1.
- H. The Alameda County Treasury local agency investment fund authorized under Government Code §§ 53684.
- I. Repurchase agreements collateralized by securities of the United States Government or an agency of the United States Government.
- J. Municipal Obligations issued by State or Local agencies:
- a) Such bonds can include the obligations of the Bay Area Toll Authority and the Bay Area Infrastructure Financing Authority;
 - b) The maturity does not exceed 5 years from the date of purchase;
 - c) With regards to Municipal Obligations in the form of variable rate demand bonds, the obligations shall have mandatory investor tender rights supported by a third-party liquidity facility from a financial institution with short-term ratings of at least A-1 by S&P or P-1 by Moody's. The maturity of these bonds shall be equivalent to the investor's tender option supported by the liquidity facility.

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

- K. All other investments authorized under §§ 53600 et seq. of the California Government Code as appropriate for public fund investments and not specifically prohibited by this policy.

III. Prohibited Investments:

In addition to any prohibited investments listed in California Code §§ 53601.6 and 53631.5, the following are specifically prohibited:

- A. Reverse repurchase agreements.
- B. Financial futures.
- C. Option contracts.
- D. Mortgage interest strips.
- E. Inverse floaters.
- F. Securities lending.
- G. Repurchase agreements purchased for "yield enhancement" purposes and not required for banking and liquidity purposes.
- H. Any investment that fails to meet credit or portfolio limits at the time of investment.

IV. Sales Prior to Maturity:

- A. The primary strategy of this investment policy is to "buy and hold" securities to maturity, however, a security may be sold prior to maturity if the sale is necessary to avoid further erosion of market value or meet operational or project liquidity needs. All sales prior to maturity shall be detailed in the investment report.
- B. A security whose market or credit quality falls outside the investment policy parameters after purchase may be held to maturity without violation of this policy provided the fact is disclosed in the investment report.

V. Investment Pools:

Investment pools operated by LAIF and Alameda County as permitted investments under Section II of this policy, whose portfolios contain specific securities not permitted under this policy, but none-the-less permitted under the law or approved investment policy of the respective pool, are permitted under this policy. The make-up of such portfolios shall be submitted as part of the investment report at least quarterly.

VI. Fund and Liquidity Levels:

- A. Funds for MTC, SAFE and BATA operating requirements shall be commingled for investment purposes. The liquidity level shall be maintained in an appropriate manner but not less than:

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

30	90	1	Maximum
<u>Days</u>	<u>Days</u>	<u>Year</u>	<u>Weighted</u>
<u>Maturity</u>			
10%	15%	30%	5 yrs

The percentages within the 30 and 90 day counts are cumulative towards the one year minimum.

B. Reserve Funds:

Specifically designated reserve funds may have a maximum maturity of 40 years or less, provided each fund is clearly identified in the investment report.

- C. All funds under management shall be combined for the purpose of evaluating credit and portfolio limits.

VII. Brokerage Firms:

Only firms meeting all of the following criteria shall be authorized to buy or sell securities:

- A. Firms licensed to conduct business as a broker-dealer under § 25004 of the Corporations Code, licensed and registered under the Securities Exchange Commission, a Federally or State chartered bank, or designated a "primary dealer" by the Federal Reserve Bank and with offices located in California.
- B. The firm must have a minimum rating of "A-" from a nationally recognized credit rating agency.
- C. Corporate assets or assets under management of at least fifty million dollars (\$50,000,000).
- D. Provided written certification that they received a copy of the approved policy.

VIII. Investment Management Services:

Only firms meeting all of the following criteria shall be authorized to manage investment funds.

- A. Firms licensed to conduct business as an investment advisor under § 25009 of the Corporations Code, licensed and registered under the Securities Exchange Commission.
- B. Firms licensed to conduct business as a Registered Investment Advisor under the Investment Advisors Act of 1940.
- C. C. Firms must have assets under management of at least five billion dollars (\$5,000,000,000) and the investment fund must be

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

rated at least an "A".

- D. Firms must provide certification of an annual audit or certification of internal cash controls (i.e. SAS 70 or equivalent) satisfactory to the Chief Financial Officer.
- E. Firms must have a minimum of 10 years experience of investment advisory experience in the public sector.
- F. Firms must carry errors and omission insurance of at least ten million dollars (\$10,000,000).
- G. Firms must provide written certification that they meet all of the above criteria.

IX. Safekeeping:

- A. All securities shall be maintained in a safekeeping account, independent from all broker accounts, with securities held in the name of the agency. Banks with independent "trust" or safekeeping departments shall qualify as independent safekeeping accounts.
- B. Safekeeping accounts shall be maintained with firms or banks with at least fifty million dollars (\$50,000,000) in trust and safekeeping accounts under management and a minimum rating in the "A" category from a nationally recognized rating service.
- C. The Treasurer or assignee designated by the MTC Executive Director is authorized to sign documents providing for the sale and purchase of securities, as well as all documents required to provide for safekeeping and trust.

X. Internal Controls:

The Treasurer shall be responsible for developing a system of internal controls that maintain appropriate records of all transactions as well as individual fund ownership of all investments and interest earnings and shall also be subject to the annual independent audit process.

XI. Investment Reports:

In accordance with § 53646 of the Government Code, at least quarterly, the Treasurer shall submit an investment report to the Executive Director who shall forward the report to all entities whose funds are subject to this policy. The report shall detail all securities, par value, market value, maturity, liquidity and credit limit thresholds, as well as any sales prior to maturity, any securities no longer meeting policy standards, and any investment policy violations. Portfolio detail for LAIF, Alameda County or other authorized Government Investment Pools, shall be included on a quarterly basis.

XII. Financial Accounts:

Both the Executive Director and the Treasurer are required to sign documents to open financial accounts with banks, financial institutions and government

**ASSOCIATION OF BAY AREA GOVERNMENTS
RESOLUTION NO. 06-17**

pooled investment funds as needed in order to manage MTC's investments as described within this investment policy; provided that all such accounts meet policy standards.

XIII. Authorized Signers

The following positions are authorized to sign on all accounts:

Executive Director

Deputy Executive Directors – all

Chief Financial Officer

Deputy Treasurer

At least two signatures are required to transfer funds out of such accounts.

XIV. Renewal:

This investment policy shall be subject to review annually.

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **Update on ABAG FAN**

On February 14, 2018, the ABAG Finance Authority for Nonprofits (FAN) Executive Committee met to approve the documents needed to launch ABAG's new conduit authority, Advancing California Finance Authority (ACFA), including ACFA's bylaws, policies and procedures, model forms and fee schedule. The Executive Committee also approved contracts with the consultants that will now be advising staff and ACFA's Governing Board on new deals and refinancings, and helping us complete the annual reporting requirements for existing and new affordable housing deals. These include Nixon/Peabody for legal assistance, Public Financial Management, and Sperry Capital.

On March 15, the ACFA Governing Board, whose members include ABAG President David Rabbitt, ABAG Finance Committee Chair Karen Mitchoff, ABAG Vice President Greg Scharff and two other ABAG Finance Committee members, Santa Clara County Supervisor Cindy Chavez and Clayton Council Member Julie Pierce, are scheduled to adopt the ACFA bylaws, policies and procedures, model forms and fee schedule. Later that evening, the ABAG Executive Board will need to adopt the ACFA bylaws and, at that point, ABAG's Advancing California Finance Authority will be officially open for business.

Staff has also been working on creating the new ACFA website that will feature an online application process. With the help of our consultants, staff has also been identifying borrowers in the FAN portfolio that may be interested in refinancing and meeting with several potential borrowers in need of conduit financing. We look forward to updating you on our progress at future Executive Board meetings.



Steve Heminger

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Recommend Executive Board Adoption of ABAG Resolution No. 01-18
Establishing Bylaws of the Advancing California Finance Authority**

Staff requests the ABAG Executive Board to adopt ABAG Resolution No. 01-18 establishing the Bylaws for the Advancing California Finance Authority (ACFA). The Bylaws establish rules of administration, governance, as well as admission and removal of program members. Major provisions include:

Membership

- Founding members are ABAG and ABAG Finance Authority for Nonprofit Corporations (FAN).
- Program members may be invited by the ACFA Governing Board and must be a public agency in the nine-county Bay Area.

Program Member Rules

- Admission is at majority vote of ACFA Governing Board.
- Program Members may not withdraw while their financing is still outstanding.
- Program Members may be expelled for default and majority vote of ACFA Governing Board.

Officers

- Chair of the Board: Conducts meetings.
- Vice Chair: Acts in absence of Chair.
- Executive Director
- Deputy Executive Director
- General Counsel
- Secretary: Arranges meetings, coordinates agendas, and keeps minutes and the official record.
- Treasurer/Chief Financial Officer: Keeps all financial books and records, administers funds and arranges annual audit.

Approval of ABAG Resolution No. 01-18

March 8, 2018

Page 2

Other Provisions

- Meetings must be noticed and open in accordance with Brown Act rules.
- Applicant provides general indemnification for Board, officers and employees of ACFA.
- In the event the JPA terminates all remaining assets are distributed to ABAG.

The ABAG FAN Executive Committee and the ACFA Governing Board will also be requested to adopt resolutions establishing the Bylaws for the Advancing California Finance Authority.

Recommendation

The ABAG Finance Committee is requested to recommend ABAG Executive Board adoption of ABAG Resolution No. 01-18 establishing the Bylaws of the Advancing California Finance Authority (ACFA).



Steve Heminger

Attachment

ABAG Resolution No. 01-18

**ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD**

RESOLUTION NO. 01-18

**APPROVAL OF BYLAWS FOR THE ADVANCING CALIFORNIA FINANCE
AUTHORITY**

WHEREAS, the Association of Bay Area Governments ("ABAG"), a "public agency" within the meaning of Section 6500 of the California Joint Exercise of Powers Act, consisting of Sections 6500 through 6599.3 of the California Government Code, as amended from time to time (the "Joint Powers Act"), and the ABAG Finance Authority for Nonprofit Corporations ("ABAG Finance"), a "public agency" within the meaning of Section 6500 of the Joint Powers Act, have, pursuant to the Joint Powers Act, entered into a Joint Exercise of Powers Agreement (the "Joint Powers Agreement") which created the Advancing California Finance Authority (the "Financing Authority"); and

WHEREAS, in addition to the Joint Powers Agreement it will be beneficial for the Financing Authority to have a set of bylaws to guide its administration; and

WHEREAS, it is desirable that ABAG and ABAG Finance, as the two members of the Financing Authority, consider and approve such bylaws; and

WHEREAS, there has been prepared and presented to this meeting a proposed form of bylaws entitled Bylaws of the Advancing California Finance Authority (the "Bylaws"), attached hereto as Attachment A to this Resolution and incorporated herein as though set forth at length; and

WHEREAS, all acts, conditions and things required by the Constitution and the laws of the State of California to exist, to have happened and to have been performed in connection with the approval of the Bylaws authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and ABAG and ABAG Finance are now duly authorized and empowered, pursuant to each and every requirement of law, to approve the Bylaws and authorize the adoption of the Bylaws by the Financing Authority; now, therefore, be it

RESOLVED, that ABAG specifically finds and declares that the statements, findings and determinations of ABAG set forth in the preambles above are true and correct; and be it further

RESOLVED, that ABAG hereby approves the Bylaws and authorizes adoption of the Bylaws by the Financing Authority's Governing Board (the "Financing Authority Board") in substantially the form presented to this meeting, with such additions thereto or changes therein as the Financing Authority Board may require or approve, the approval of such additions or changes to be conclusively evidenced by the adoption by the Financing Authority Board of the Bylaws; and be it further

RESOLVED, that the officers and agents of ABAG are hereby authorized and directed to take all further actions necessary and convenient to the adoption of the Bylaws by the Financing Authority Board and that all actions heretofore taken by the members of ABAG, committees of ABAG, and officers and agents of ABAG with respect to the Bylaws are hereby acknowledged and affirmed; and, be it further

RESOLVED, that this Resolution shall take effect from and after its adoption.

The foregoing was adopted by the Executive Board this 15th of March, 2018.

David Rabbitt
President

Certification of Executive Board Approval

I, the undersigned, the appointed and qualified Clerk of the Board of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called meeting held on the 15th day of March, 2018.

Frederick Castro
Clerk of the Board

Attachment A

Advancing California Finance Authority Bylaws

BYLAWS

OF THE

ADVANCING CALIFORNIA FINANCE AUTHORITY

adopted
March __, 2018

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BYLAWS
OF
ADVANCING CALIFORNIA FINANCE AUTHORITY

ARTICLE I
NAME

The name of this public entity is the Advancing California Finance Authority (the “Authority”).

ARTICLE II
OFFICES

1. Principal Office. The principal office for the transaction of the business of the Authority is located at 375 Beale Street, Suite 800, San Francisco, California. The Authority’s Governing Board (the “Board”) may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these Bylaws opposite this section, or this section may be amended to state the new location.

2. Other Offices. The Board may at any time establish branch or subordinate offices at any place or places.

ARTICLE III
LIMITATION ON AUTHORITY

The Authority’s exercise of its power under the Advancing California Finance Authority Joint Exercise of Powers Agreement (the “JPA Agreement”) and these Bylaws shall be restricted to the extent required under California Government Code Section 6509. The Association of Bay Area Governments (“ABAG”) is hereby designated pursuant to said Section 6509. This designation may be changed by a two-thirds (2/3) vote of the Board provided that the designated agency must be a public agency located in California.

ARTICLE IV
MEMBER ENTITIES

In addition to the original contracting parties to the JPA Agreement consisting of ABAG and the ABAG Finance Authority for Nonprofit Corporations (“ABAG FAN” and collectively with ABAG, the “Founding Members”), any other public entity, as defined in California Government Code Section 6500, located in the Counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma may be invited by the Board to join the Authority as a Program Member (each a “Program Member” and collectively with the Founding Members, the “Member Entities”). Any Program Member who withdraws or is expelled pursuant to these Bylaws shall cease to be a Member Entity.

ARTICLE V DEBTS AND LIABILITIES

The debts, liabilities and obligations of the Authority shall not be the debts, liabilities or obligations of any or all of the Member Entities.

ARTICLE VI BOARD MEMBERS

1. Powers.

(a) General Powers. The Authority shall have all powers granted to it by the JPA Agreement and the Joint Exercise of Powers Act, Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”). The business and affairs of the Authority shall be managed, and all powers shall be exercised, under the policy direction of the Board.

(b) Specific Powers. Without prejudice to these general powers, the Board shall also have the power to borrow money and incur indebtedness on behalf of the Authority and cause to be executed and delivered for the Authority’s purposes, in the Authority’s name, promissory notes, bonds, deeds of trust, mortgages, pledges, hypothecations, and other evidences of debt and securities and certificates of participation.

(c) Financing Guidelines. The Board may establish guidelines, policies and procedures (“Financing Guidelines”) for the types of project financings undertaken by the Authority. Any permanent changes to the Financing Guidelines (i.e., those affecting all future transactions) shall require a majority vote of the Board. Any changes, waivers or additions to the Financing Guidelines for one or more specific transactions which are not intended as permanent changes shall require majority vote of the Board.

2. Board Members. The Board shall be comprised of the individuals (the “Board Members”) designated in Section 3.B. of the JPA Agreement as modified by Section 21 of the JPA Agreement.

3. Vacancies.

(a) Events Causing Vacancy. A vacancy or vacancies in the Board shall be deemed to exist on the occurrence of the following: (i) the death of any Board Member; (ii) the removal, dismissal or resignation of a Board Member from the position he/she held with the Member Entity at the time he/she became a Board Member; (iii) the declaration by resolution of the Board of a vacancy of the office of a Board Member who has been declared of unsound mind by an order of court or convicted of a felony; or (iv) the increase in the authorized number of Board Members.

(b) Resignations. No Board Member may resign when the Authority would then be left without a Board Member in charge of its affairs.

(c) Vacancies. Any vacancy or vacancies in the Board shall be filled pursuant to Sections 3.B and 21 of the JPA Agreement.

4. Regular Meetings. Regular meetings of the Board shall be held pursuant to Section 3.C of the JPA Agreement.

5. Special Meetings. Special meetings of the Board may be called at any time by the Chair or Vice-Chair of the Board or by two (2) Board Members requesting such meeting in writing. No later than two (2) business days written notice of a special meeting shall be given to all Board Members and to such other persons who requested in writing receipt of such notices. Written notice may be dispensed with as to any Board Member who is actually present at the time the meeting convenes. The notice shall state the time and place of the meeting, and the business to be transacted; provided that, in the event of an emergency meeting, only the minimum notice requirements of the Ralph M. Brown Act must be met. Business transacted at a special meeting of the Board shall be limited to the items set forth in the notice of such meeting.

6. Quorum. A majority of the authorized number of Board Members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the Board Members present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, especially those provisions relating to (i) approval of contracts or transactions in which a Board Member has a direct or indirect material financial interest, (ii) appointment of committees, and (iii) indemnification of Board Members. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of Board Members, if any action taken is approved by at least a majority of the required quorum for that meeting.

7. Rules of Order. The Board may adopt rules of order to govern the conduct and procedure of Board meetings.

8. Open Meetings. Meetings of the Board shall be open to the public as required by the provisions of the Ralph M. Brown Act and applicable case law.

9. Minutes. The Board shall keep or cause to be kept written minutes of its proceedings, except executive sessions.

10. Fees and Compensation Board Members. Board Members and members of committees may receive such reimbursement of expenses that comply with the Authority's expense reimbursement policy, as the same may be amended from time to time.

ARTICLE VII COMMITTEES

1. Committees. The Chair may designate one or more ad hoc advisory committees, each consisting of two or more Board Members, and any other persons appointed by the Chair, to be ratified by and serve at the pleasure of the Board, and to exercise such powers as may be delegated to it by the Chair, except that no committee may:

(a) take any final action on matters which, under the JPA Agreement, requires approval of a majority or more of all the Board Members;

(b) amend or repeal Bylaws or adopt new Bylaws;

(c) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

(d) appoint any other committees of the Board or the members of these committees; or

(e) approve any transaction (1) to which the Authority is a party and one or more Board Members have a material financial interest as defined in the California Government Code; or (2) between the Authority and one or more of its Board Members or between the Authority or any person in which one or more of its Board Members have a material financial interest.

2. Meetings and Action of Committees. Meetings and action of committees shall be governed by, and held and taken in accordance with, the provisions of Article VI of these Bylaws, concerning meetings of the Board, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the Board and its members, except that the time for regular meetings of committees may be determined either by resolution of the Board or by resolution of the committee. Special meetings of committees may also be called by resolution of the Board or the committee seeking to meet. Notice of special meetings of committees shall also be given to any and all Board Members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the Authority records.

ARTICLE VIII OFFICERS

1. Officers. The officers of the Authority shall be the Chair, Vice-Chair, Treasurer, Auditor, Executive Director, Deputy Executive Director, General Counsel and Secretary. The Treasurer is also designated as the Chief Financial Officer of the Authority. The holders of such offices shall be as set forth in Sections 3.D. and 21 of the JPA Agreement. The Chair and Vice-Chair shall be Board Members. Any number of offices may be held by the same person, except that neither the Secretary nor the Chief Financial Officer may serve concurrently as either the Chair or Vice-Chair of the Board.

2. Removal of Officers. An officer may be removed, with or without cause, by a fourth-fifths (4/5) vote of the Board at a regular or special meeting.

3. Vacancies. Any vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled for the balance of the vacated term in the manner prescribed in these Bylaws for regular appointments to that office; provided, however, that such vacancies may be filled at any regular or special meeting of the Board.

4. Resignation of Officers. In the absence of a contrary written agreement, any officer may resign at any time by giving written notice to the Chair or Vice Chair. Any resignation shall take effect at the date of the receipt of that notice or at any later time specified in that notice; and, unless otherwise specified in that notice, the acceptance of the resignation shall not be necessary to make it effective.

5. Responsibilities of Officers.

(a) Chair of the Board. The Chair of the Board shall preside at meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned to him/her by the Board or prescribed by the Bylaws.

(b) Vice-Chair of the Board. The Vice-Chair of the Board shall fulfill all the duties of the Chair in his/her absence.

(c) Secretary. The Secretary shall:

(i) Book of Minutes. Keep or cause to be kept, at the principal executive office or such other place as the Board may direct, a book of minutes of all meetings and actions of Board and committees of the Authority, with the time and place of holding, whether regular or special, and, if special, how authorized, the notice given, the names of those present at such meetings and the proceedings of such meetings.

(ii) Notices and Other Duties. Give, or cause to be given, notice of all meetings of the Board and Committees of the Authority required by the Bylaws and the Ralph M. Brown Act to be given. He or she shall have such other powers and perform such other duties as may be prescribed by the Board.

(d) Treasurer/Chief Financial Officer. In addition to the duties set forth in the Act and the JPA Agreement, the Treasurer/ Chief Financial Officer shall attend to the following:

(i) Books of Account. The Treasurer/Chief Financial Officer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and records of accounts of the properties and business transactions of the Authority, including accounts of its assets, liabilities, receipts, disbursements, gains, losses, capital, retained earnings, and other matters customarily included in financial statements. The books of account shall be open to inspection by any Board Member at all reasonable times.

(ii) Deposit and Disbursement of Money and Valuables. The Treasurer/Chief Financial Officer shall deposit all money and other valuables in the name and to the credit of the Authority with such depositories as may be designated by the Board; shall disburse the funds of the Authority as may be ordered by the Board; shall render to the Board Members, whenever they request it, an account of all of his/her transactions as Treasurer/Chief Financial Officer and of the financial condition of the Authority; and shall have other powers and perform such other duties as may be prescribed by the Board or the Bylaws.

(iii) Bond. If required by the Board or the Act, the Treasurer/Chief Financial Officer shall give the Authority a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of his/her office and for restoration to the Authority of all its books, papers, vouchers, money, and other property of every kind in his/her possession or under his/her control on his/her death, resignation, retirement, or removal from office.

6. Fees and Compensation. The officers may receive such reimbursement of expenses that comply with the Authority's expense reimbursement policy, as the same may be amended from time to time.

ARTICLE IX MEMBER ENTITY INDEMNITY

Each Member Entity hereby agrees to indemnify and hold harmless all other Member Entities to the extent any liability is found or imposed against said Member Entity pursuant to California Government Code Section 895.2.

ARTICLE X OBLIGATIONS OF CONTRACTING PARTIES

1. Release and Indemnification. At a minimum the Authority shall require parties with whom it contracts for financings (the "Participants") to indemnify and save it, its members, and the Board Members, officers and employees of each of the foregoing harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of

(a) the use, maintenance, condition or management of, or from any work or thing done on a Project by the Participant or at its direction or request,

(b) any breach or default on the part of the Participant in the performance of any of its obligations under its agreement with the Authority,

(c) any act or negligence of the Participant or of any of its agents, contractors, servants, employees or licensees with respect to the Project,

(d) any act or negligence of any assignee or sublessee of the Participant or of any agents, contractors, servants, employees or licensees of any assignee or sublessee of the Participant with respect to the Project, or

(e) the acquisition, construction and installation of the Project or the authorization of payment of the costs of acquisition by the Participant or authorization of payment of costs of repairs to the Project.

No indemnification to the Authority or its members will be required to be made by the Participant for willful misconduct or gross negligence by the Authority, its members or their officers, agents, employees, successors or assigns.

2. Advisors. The Authority shall, at its discretion, hire advisors as it deems necessary to evaluate and advise it as to Projects proposed for financing including, but not limited to, the financial position of the Participant, the appropriateness of the financing structure of the Project and the risk involved with the Project. Any and all such costs or fees shall be paid by the Participant whether or not the proposed financing is approved by the Authority or completed.

3. Payment of Costs and Expenses. Participants shall be required to pay any and all costs and expenses involved in or associated in any way with their particular financing transaction. This obligation shall survive termination of the Authority.

ARTICLE XI MEMBERSHIP

1. Founding Members. ABAG and ABAG FAN are the Founding Members of the Authority. The Authority can operate with the Founding Members and no other members are required for the exercise by the Authority of all powers granted it under the JPA Agreement and the Act.

2. Program Members. Public agencies located within the nine (9) San Francisco Bay Area Counties of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma (the “Bay Area Counties”) shall be eligible to join the Authority upon invitation by the Board.

ARTICLE XII ADMISSION, WITHDRAWAL AND EXPULSION

1. Conditions for Admission of a Program Member. Each applicant for Program Membership in the Authority shall meet the following minimum qualifications:

(a) such new Program Member shall be a public entity located in the Bay Area Counties;

(b) passed a resolution approving entry into the Authority and execution of the JPA Agreement once the Authority has approved membership;

(c) applied for and been approved by at least three-fifths (3/5) of the Board for admission to the Authority; and

(d) such new Program Member shall have (1) duly executed the JPA Agreement and (2) acknowledged these Bylaws.

2. Conditions to Permitting Withdrawal of a Member Entity. A Member Entity may withdraw provided that the following conditions are satisfied:

(a) such Member Entity shall not be in default of any of its obligations to pay any extraordinary costs or fees assessed by the Board;

(b) not later than thirty (30) days immediately preceding the effective date of such withdrawal, such Member Entity shall have provided written notice to the Authority of its intent to withdraw;

(c) such withdrawal shall be effective on the first business day after the closing of the last transaction in which said Member Entity is involved; and

(d) at least two (2) Member Entities shall remain members of the Authority after such withdrawal. In the event fewer than two (2) Member Entities would remain in the Authority, said Member Entity may not withdraw until such time as all principal of and interest on any and all revenue bonds and other evidences of indebtedness issued by the Authority have been paid in full.

Notice to withdraw shall be revocable only at the option of the Authority.

3. Conditions to Permitting Expulsion of a Member Entity. The Authority may expel a Member Entity from the Authority subject to the following conditions:

(a) the Member Entity is in default under the terms of the JPA Agreement, these Bylaws, or the duly-adopted rules and regulations of the Board; and

(b) not later than the thirty (30) days immediately preceding the effective date of such expulsion, three-fifths (3/5) of the Board shall have consented to such expulsion by written consent filed with the Authority and written notice of such expulsion shall have been given to the Member Entity to be expelled.

ARTICLE XIII FEES AND EXTRAORDINARY COSTS

1. Fees. All fees should be adopted by resolution of a majority of the Board.

2. Extraordinary Costs. In the event the Authority incurs any extraordinary or unanticipated costs, including but not limited to legal fees and/or litigation expenses, the Member Entities shall be assessed a fee or fees on a pro rata basis as determined by the Board necessary to pay such extraordinary or unanticipated costs. This provision shall survive termination of the Authority and/or each Member Entity's participation in it.

ARTICLE XIV ADMINISTRATIVE AGENCY

Effective July 1, 2017, all ABAG employees became employees of the Metropolitan Transportation Commission ("MTC"). MTC will provide necessary administrative services for the Authority.

ARTICLE XV PURCHASE OF INSURANCE

In conformance with the procedures and criteria developed by it, the Board may cause the Authority to purchase commercial insurance or reinsurance or terminate commercial insurance or reinsurance upon a majority vote of the Board.

ARTICLE XVI EVENTS OF DEFAULT AND REMEDIES

1. Events of Default Defined. The following shall be “events of default” under the JPA Agreement and these Bylaws, and the terms “events of default” and “default” shall mean, whenever they are used in the JPA Agreement and these Bylaws, with respect to a Member Entity, any one or more of the following events:

(a) failure by such Member Entity to observe and perform any covenant, condition or agreement on its part to be observed or performed under the JPA Agreement or to comply with these Bylaws, other than as referred to in clause (b) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to such Member Entity by the Authority; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Member Entity within the applicable period and diligently pursued until the default is corrected;

(b) non-payment of any fees assessed by the Board; or

(c) the filing by such Member Entity of a case in bankruptcy, or the subjection of any right or interest of such Member Entity under the JPA Agreement or these Bylaws to any execution, garnishment or attachment, or adjudication of such Member Entity as a bankrupt, or assignment by such Member Entity for the benefit of creditors, or the entry by such Member Entity into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Member Entity in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar act which may hereafter be enacted.

2. Remedies on Default.

(a) Whenever any event of default referred to in Section 1 of this Article shall have happened and be continuing, it shall be lawful for the Authority to exercise any and all remedies available pursuant to law or granted pursuant to the JPA Agreement, the Act and these Bylaws.

(b) In the event that the Authority elects to expel any defaulting Member Entity, subject to the conditions described and in the manner provided in Section 3 of Article XI of these Bylaws, the Member Entity nevertheless agrees to pay the Authority all costs, losses or damages arising or occurring as a result of such default and termination, and administrative and legal costs incurred in noticing the default and effecting the expulsion. No such expulsion shall be or become effective by operation of law or otherwise, unless and until the Authority shall have given written notice of such expulsion to the Member Entity; no such expulsion shall be effected either by operation of law or acts of the parties hereto, except only in the manner herein expressly provided; and no such expulsion shall terminate the obligation of the expelled Member Entity to pay any fees assessed prior to such expulsion.

3. No Remedy Exclusive. No remedy conferred herein upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in

addition to every other remedy given under the JPA Agreement, the Act or these Bylaws, now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in these Bylaws, it shall not be necessary to give any notice, other than such notice as may be required in these Bylaws or by law.

4. Agreement to Pay Attorneys' Fees and Expenses. In the event either the Authority or a Member Entity should be in default under any of the provisions of these Bylaws and the nondefaulting party should employ attorneys or incur other expenses for the collection of moneys or the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party the reasonable fees of such attorneys and such other expenses so incurred by the nondefaulting party.

5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in the JPA Agreement and these Bylaws should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

ARTICLE XVII TERMINATION

1. Time of Termination. The Authority may be terminated upon the written consent of all of the Founding Members if the effective termination date and such written consents are delivered to the Authority and the Secretary at least sixty (60) days prior to the effective termination date provided that all principal of and interest on any and all revenue bonds and other evidences of indebtedness issued by the Authority have been paid in full.

2. Continuing Obligations. After the termination date, the Authority shall continue to be obligated to pay, or cause to be paid any amounts due for winding up its affairs, including but not limited to any litigation costs and/or extraordinary costs associated with a financing transaction. After the effective termination date, each Founding Member has a continuing obligation to pay any fees assessed prior to the effective termination date.

3. Distribution of Assets. In the event any assets remain after winding up the affairs of the Authority, such sums shall be distributed to the Association of Bay Area Governments or its successor.

ARTICLE XVIII AMENDMENTS

1. Amendment by Board. Subject to the limitations set forth below, the Board may adopt, amend or repeal Bylaws. Such power is subject to the following limitations:

(a) If any provision of these Bylaws requires the vote of a larger proportion of the Board than a simple majority, such provision may not be altered, amended or repealed except by vote of such larger number of Board Members.

(b) The Board may not delete or amend Bylaw provisions requiring compliance with the JPA Agreement.

ARTICLE XIX RECORDS AND REPORTS

1. Maintenance of Authority Records. The Authority shall keep:

(a) Adequate and correct books and records of account;

(b) Minutes in written form of the proceedings of its Board, and committees of the Board.

All such records shall be kept at the Authority's principal executive office, or if its principal executive office is not in the State of California, at its principal business office in this state.

2. Inspection Rights.

(a) Any Member Entity may inspect the accounting books and records and minutes of the proceedings of the Board and committees of the Board, at any reasonable time, for a purpose reasonably related to such person's interest.

(b) Any inspection and copying under this section may be made in person or by an agent or attorney or the entity entitled thereto and the right of inspection includes the right to copy and make extracts.

3. Maintenance and Inspection of JPA Agreement and Bylaws. The Authority shall keep at its principal executive office the original or copy of the JPA Agreement and these Bylaws as amended to date, which shall be open to inspection by the Authority or any Member Entity at all reasonable times during office hours.

4. Inspection by Board Members. Every Board Member shall have the absolute right at any reasonable time to inspect all non-confidential books, records, and documents of every kind and the physical properties of the Authority. This inspection by a Board Member may be made in person or by an agent or attorney, and the right of inspection includes the right to copy and make extracts of documents.

5. Annual Report.

(a) Not later than the March 31st after the close of the Authority's fiscal year, the Board shall cause an annual report prepared by a Certified Public Accountant to be sent to the governing body of each Member Entity.

(b) The report required by this section shall be accompanied by any report thereon of independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Authority that such statements were prepared without audit from the books and records of the Authority.

6. Fiscal Year. The Authority's fiscal year shall be from July 1 to June 30.

ARTICLE XX CONSTRUCTION AND DEFINITIONS

Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Civil Code shall govern the construction of these Bylaws. Without limiting the generality of the above, the term "person" includes both the Authority and a natural person and any capitalized term not defined in these Bylaws shall have the meaning ascribed to it in the JPA Agreement.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that I am the presently appointed and acting secretary of the Advancing California Finance Authority and that these Bylaws were adopted by the Governing Board of the Advancing California Finance Authority at its meeting on _____, 2018.

Dated: _____

[Name], Secretary

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Recommend General Assembly adoption of Proposed Budget and Work Program for Fiscal Year 2018-2019**

Attached is the draft budget detail for the Association of Bay Area Governments (ABAG), its special revenue funds and associated entities. In addition, the draft FY 2018-19 budget and work plan for release to the General Assembly is attached. ABAG has direct approval for its administrative operations as well as Bay Area Regional Energy Network (BayREN) and the San Francisco Estuary Partnership (SFEP) which are special revenue funds to ABAG. We also present budget information on ABAG Publicly Owned Energy Resources (ABAG POWER) and ABAG Finance Authority for Nonprofit Corporations (ABAG FAN), both of which are joint powers authorities of which ABAG is a member, but they have independent boards that have discretionary approval of their respective budgets. Finally, the San Francisco Bay Restoration Authority (Restoration Authority) is also presented for information although the Restoration Authority is an independent agency with full discretionary authority over its finances including the operating budget.

ABAG Administration

While we are still learning our way through the ABAG budget responsibilities, we are fairly confident with the proposed expenses for Fiscal Year 2018-19. The draft budget presented is balanced utilizing a combination of dues and transfers from ABAG FAN and SFEP operations.

Highlights:

- Membership Dues – Dues are proposed to increase by \$124,000 under the existing per capita formula. The increase is a combination of inflation of 2.9% and 1% population growth.
- OPEB-Retirement Medical – Note that we have been able to estimate that Other Post Employment Benefits (OPEB) costs may now be completely offset by the existing OPEB assets held at PERS. Medical costs for existing retirees as well as all future benefit payments can be made entirely from the fund.
- Interfund Transfers – We have established that both ABAG FAN and SFEP program accounts have surplus balances that can be transferred to offset some administrative

Proposed Budget and Work Program for Fiscal Year 2018-2019

March 8, 2018

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costs. A total of \$550,000 will be transferred into the ABAG Administrative budget as a result.

- PERS-Retirement Expense – We are still budgeting the full scheduled annual cost of the unfunded actuarial expense as if ABAG still had an active 70 employees. We believe once PERS calculates the ongoing liability recognizing that the 70 active employees are now under the Metropolitan Transportation Commission (MTC) payroll, that number should change.
- Consultants – The draft budget shows an increase of \$400,000 in budgeted costs. The additional consultant expense consists of four items, the first three of which actually are ongoing obligations of ABAG that were not previously budgeted or paid:

Bay Area Regional Collaborative	100,000
Bay Area Council Economic Institute	60,000
Lobbyist and Other	40,000
New Website	<u>200,000</u>
	<u>\$400,000</u>

- Audit – The other major change will be audit fees of \$250,000 versus a total cost of \$30,000 for Fiscal Year 2017-18. The increase is due in part to a new audit firm and first year costs are always higher. In fact, we expect the fees to decrease by about 20% in the second audit year. Adding to the cost increase is a change in audit standards as well as recognition that ABAG has over \$60 million in operational grants to various state and federal agencies which increases the audit scope substantially.

Staff Costs

Staff costs are administered through MTC and the MTC payroll system. As such, you will see a budgeted transfer for all salary, benefit and overhead charges below direct expenses in each of Special Revenue, JPA and Restoration Authority budgets. These transfers are necessary to reimburse MTC for payroll charges made well in advance of grant funding.

San Francisco Estuary Partnership

SFEP consists of a group of cooperating agencies and organizations that work on projects to protect, enhance and restore the San Francisco Bay—Delta Estuary. The budget consists mainly of grants administered through the State Department of Water Resources and the federal Environmental Protection Agency.

Highlights:

Revenue

- SFEP has \$38 million in project grant fund budgeted in Fiscal Year 2017-18 grants with \$15 million remaining to be programmed in Fiscal Year 2018-19.

Expenses

- Staffing costs will go down slightly in fiscal year 2018-19.

Proposed Budget and Work Program for Fiscal Year 2018-2019

March 8, 2018

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- Consultant services are the largest costs in administering the project grants including \$150,000 for Estuary Blueprint Implementation.
- The SF Estuary-Self Funded Program is used primarily to put on the biennial Estuary and Bay Delta Science Conferences.
- Transfer out includes \$200,000 transfer to support ABAG administrative operations.

Bay Area Regional Energy Network—Energy

BayREN—Energy program is funded by grants provided by the California Public Utilities Commission. The major programs are:

- Single Family Energy Retrofit
- Multi-Family Energy Retrofit
- Energy Efficiency Codes and Standards
- Financing for Energy Efficiency projects

BayREN programs include grants, loans and information to support other programs.

Highlights:

Revenue

- Grant revenue will increase by \$14 million which includes an anticipated new grant award for calendar year 2019

Expenses

- Salary and benefits increase by \$400,000 as some vacant staff positions are filled.
- Consulting and project incentive/loan expenses will increase by \$14 million to match the new grant revenue for Fiscal Year 2018-19.

ABAG POWER

ABAG POWER is a Joint Power Agency that offers gas aggregation to 38 local governments and special districts by purchasing natural gas on behalf of its members and utilizes the Pacific Gas & Electric (PG&E) distribution system for delivery to member agencies.

Highlights:

Revenue

- Revenue from energy sales is expected to drop slightly with declines in energy sales.

Expenses

- Audit costs will increase as a result of the new auditors and added audit requirements.
- Costs of energy and PG&E costs will decline slightly mainly to lower gas use and costs.

Proposed Budget and Work Program for Fiscal Year 2018-2019

March 8, 2018

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ABAG Finance Authority for Nonprofit Corporations (ABAG FAN)

ABAG FAN acts as a conduit borrower for other agencies and public purpose projects. ABAG FAN currently has over 150 outstanding debt issues with over \$1.2 billion in value outstanding.

ABAG FAN also acts as the Credit Committee for the new ABAG Advancing California Finance Authority (ACFA), as ACFA launches a new financing conduit.

Highlights:

Revenue

- Administrative Revenue should increase for Fiscal Year 2018-19 based on a backlog of current refunding projects as well as potential new ACFA business.
- Interest on ABAG FAN funds will increase with rising interest rates.
- Other revenue is reimbursement for administration of the four special districts.

Expenses

- Salaries and benefits will increase by about 40% as two positions with one temporary staff support will be assigned to administer ABAG FAN and ACFA.
- Consultant fees will increase for financial and legal services approved by the ABAG FAN Executive Committee in February.
- Transfers include \$250,000 that will be transferred to support ABAG operations.

Staff is planning to run the ACFA operations through ABAG FAN until the business grows and there are sufficient assets to support an independent operation.

Recommendation

The ABAG Finance Committee and the ABAG Executive Board are requested to recommend ABAG General Assembly adoption of the Proposed ABAG Budget and Work Program for Fiscal Year 2018-2019.



Steve Heminger

Attachment

Proposed Operating Budget
Draft FY 2018-19 Budget and Work Program

Total Revenues and Expenses by Program FY 2018-2019

Program	Total Revenue	Total Expense	Transfers (In)/Out	Surplus*
ABAG Programs				
ABAG Administration	2,612,000	3,140,433	(550,000)	21,567
SF Estuary Partnership/Self-Funded*	16,350,194	12,953,199	200,000	3,196,995
BayRen	32,524,129	32,524,129	-	-
Subtotal	51,486,323	48,617,761	(350,000)	3,218,562
JPA Programs				
Power	7,418,391	7,418,391	-	-
FAN	1,600,000	1,303,000	250,000	47,000
Subtotal	9,018,391	8,721,391	250,000	47,000
SF Bay Restoration Authority				
SF Bay Restoration Authority	25,250,000	24,826,945	125,000	298,055
Total	85,754,714	82,166,097	25,000	3,563,617

*SF Estuary Partnership Remaining Grant \$3.19 million.

ABAG Administration

	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./Dec.	Change \$ Inc./Dec.
Revenue					
Membership Dues	\$ 2,063,486	\$ 2,068,401	\$ 2,192,000	6%	\$ 123,599
Interest Revenue	13,181	-	20,000	100%	20,000
Other Revenue	9,535	-	400,000	100%	400,000
Total Revenue	<u>2,086,202</u>	<u>2,068,401</u>	<u>2,612,000</u>	<u>26%</u>	<u>543,599</u>
Expense					
Salary & Benefits	70,192	-	-	-	-
Retiree Medical (OPEB)	245,932	-	400,000	100%	400,000
PERS	902,808	1,286,000	1,441,533	12%	155,533
Travel	799	-	3,000	100%	3,000
Meals	4,533	10,702	12,000	12%	1,298
Parking	3,756	-	-	-	-
Beale Assessments	162,500	325,000	331,500	2%	6,500
Mailings	1,460	-	-	-	-
Memberships	25,890	-	44,000	100%	44,000
Subscriptions	1,599	-	1,700	100%	1,700
Consultants	12,690	-	400,000	100%	400,000
Interest Expense	2,077	-	-	-	-
Legal Fees	6,299	-	-	-	-
Board Expense	30,375	80,000	80,000	0%	-
Audit	29,350	-	250,000	100%	250,000
Bank Service Charges	15,403	-	41,000	100%	41,000
Insurance	92,815	133,690	135,000	1%	1,310
Miscellaneous	508	-	700	100%	700
Depreciation	160,165	-	-	-	-
Total Expenses	<u>1,769,151</u>	<u>1,835,392</u>	<u>3,140,433</u>	<u>71%</u>	<u>1,305,041</u>
Transfer (In)/Out	<u>-</u>	<u>233,009</u>	<u>(550,000)</u>		<u>(783,009)</u>
Total Expense and Transfers	<u>1,769,151</u>	<u>2,068,401</u>	<u>2,590,433</u>		<u>522,032</u>
Surplus/(Deficit)	<u>\$ 317,051</u>	<u>\$ -</u>	<u>\$ 21,567</u>		<u>\$ 21,567</u>

SF Estuary Partnership					
	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./{(Dec.)}	Change \$ Inc./{(Dec.)}
Revenue					
Grant Revenue	\$ 1,068,063	\$ 38,420,562	\$ 15,642,194	-59%	\$ (22,778,368)
Other Revenue	-	588,230	-	-100%	(588,230)
Total Revenue	<u>1,068,063</u>	<u>39,008,792</u>	<u>15,642,194</u>	<u>-60%</u>	<u>(23,366,598)</u>
Expense					
Travel	7,301	32,825	13,950	-58%	(18,875)
Meals	76	800	2,000	150%	1,200
Conferences	28,919	14,500	10,000	-31%	(4,500)
Advertising	9,644	-	-	-	-
Equipment Lease	-	2,615	-	-100%	(2,615)
Office Supplies	-	214	1,000	367%	786
Mailings	27	2,000	8,000	300%	6,000
Memberships	-	1,893	4,000	111%	2,107
Subscriptions	-	1,893	4,000	111%	2,107
Consultant*	131,727	35,295,380	9,384,680	-73%	(25,910,700)
Legal Fees	-	67,936	-	-100%	(67,936)
Printing	11,279	29,350	15,000	-49%	(14,350)
Commission Expense	-	12,500	-	-100%	(12,500)
Insurance	-	5,000	-	-100%	(5,000)
Miscellaneous	549	13,500	4,500	-67%	(9,000)
Total Direct Expense	<u>189,522</u>	<u>35,480,406</u>	<u>9,447,130</u>	<u>-73%</u>	<u>(26,033,276)</u>
Transfers					
MTC Staff Cost	883,678	2,421,906	2,001,866	-17%	(420,040)
Overhead	<u>1,467</u>	<u>1,106,480</u>	<u>999,969</u>	<u>-10%</u>	<u>(106,511)</u>
Total Direct and Staffing	<u>1,074,667</u>	<u>39,008,792</u>	<u>12,448,965</u>	<u>-68%</u>	<u>(26,559,827)</u>
Other Transfers (In)/out	-	-	-		-
Remaining Grant Balance	<u>\$ (6,604)</u>	<u>\$ -</u>	<u>\$ 3,193,229</u>		<u>\$ 3,193,229</u>

*Includes \$150,000 for Estuary Blueprint Implementation

SF Estuary - Self-Funded

	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./((Dec.))	Change \$ Inc./((Dec.))
Revenue					
Grant Revenue	\$ -	\$ -	\$ 90,000	100%	\$ 90,000
Other Revenue	387,374	246,716	618,000	150%	371,284
Total Revenue	<u>387,374</u>	<u>246,716</u>	<u>708,000</u>	<u>187%</u>	<u>461,284</u>
Expense					
Travel	-	-	5,000	100%	5,000
Conferences/Catering	65,911	-	215,000	100%	215,000
Advertising	595	-	-	-	-
Office Supplies	-	-	1,000	100%	1,000
Mailings	-	-	1,000	100%	1,000
Consultant	50,621	246,716	188,000	-24%	(58,716)
Printing	-	-	15,000	100%	15,000
Miscellaneous	712	-	-	-	-
Total Expense	<u>117,839</u>	<u>246,716</u>	<u>425,000</u>	<u>72%</u>	<u>178,284</u>
Transfers					
MTC Staff Cost	27,834	-	52,840	100%	52,840
Overhead	-	-	26,394	100%	26,394
Total Direct and Staffing	<u>145,673</u>	<u>246,716</u>	<u>504,234</u>	<u>104%</u>	<u>257,518</u>
Other Transfers (In)/out*	-	-	200,000	100%	200,000
YE Balance/Deficit	<u>\$ 241,701</u>	<u>\$ -</u>	<u>\$ 3,766</u>		<u>\$ 3,766</u>

*Transfer to ABAG Admin

BayRen - Energy					
	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./.(Dec.)	Change \$ Inc./.(Dec.)
Revenue					
Grant Revenue	\$ 10,233,675	\$ 17,536,904	\$ 32,524,129	85%	\$ 14,987,225
Interest Revenue	1,114	-	-	0%	-
Total Revenue	<u>10,234,789</u>	<u>17,536,904</u>	<u>32,524,129</u>	<u>85%</u>	<u>14,987,225</u>
Expense					
Travel	222	5,500	9,000	64%	3,500
Conferences	1,918	1,000	1,000	0%	-
Advertising	25,170	-	-	-	-
Electrical Supplies	9,766	-	-	-	-
Memberships	10,000	150	10,000	6567%	9,850
Subscriptions	102	150	-	-100%	(150)
Consultant	1,599,324	3,294,110	4,329,650	31%	1,035,540
Legal Fees	-	9,441	-	-100%	(9,441)
Printing	-	700	-	-100%	(700)
Single Family Incentive	2,159,116	5,100,000	9,679,864	90%	4,579,864
Multi Family Incentive	3,873,000	3,750,000	7,184,720	92%	3,434,720
MFCAP Revolving Loan Capital	376,614	780,000	1,513,581	94%	733,581
Public Agency Passthrough	1,913,436	3,962,886	8,610,410	117%	4,647,524
Bank Service Charges	1,131	-	-	-	-
Miscellaneous	837	76,000	11,282	-85%	(64,718)
Total Expense	<u>9,970,636</u>	<u>16,979,937</u>	<u>31,349,507</u>	<u>85%</u>	<u>14,369,570</u>
Transfers					
MTC Staff Cost	187,682	382,427	783,258	105%	400,831
Overhead	90,613	174,540	391,364	124%	216,824
Total Direct and Staffing	<u>10,248,931</u>	<u>17,536,904</u>	<u>32,524,129</u>	<u>85%</u>	<u>14,987,225</u>
Other Transfers (In)/out	-	-	-		-
Surplus/Deficit	<u>\$ (14,142)</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>

Power					
	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./Dec.	Change \$ Inc./Dec.
Revenue					
Interest Revenue	\$ 6,862	\$ 12,000	\$ 20,000	67%	\$ 8,000
Other Revenue	9,313	-	9,000	100%	9,000
Energy Sales	3,720,960	7,438,552	7,389,391	-1%	(49,161)
Total Revenue	3,737,136	7,450,552	7,418,391	0%	(32,161)
Expense					
Travel	-	1,000	1,000	0%	-
Meals	807	1,200	1,500	25%	300
Subscriptions	-	1,100	-	-100%	(1,100)
Consultant	-	18,400	-	-100%	(18,400)
Legal Fees	1,419	10,000	10,000	0%	-
Audit	7,550	-	78,000	100%	78,000
Bank Service Charges	3,697	9,500	8,100	-15%	(1,400)
Miscellaneous	-	900	1,200	33%	300
Billing Agent Fees	3,609	900	10,500	1067%	9,600
Scheduling Agent Fees	7,000	16,800	16,800	0%	-
Cost of Energy Used	839,302	2,739,186	2,612,139	-5%	(127,047)
PG&E Passthrough	1,500,494	4,355,605	4,174,867	-4%	(180,738)
Total Expense	2,363,877	7,154,591	6,914,106	-3%	(240,485)
Transfers					
MTC Staff Cost	112,381	203,019	336,298	66%	133,279
Overhead	53,081	92,942	167,987	81%	75,045
Total Direct and Staffing	2,529,339	7,450,552	7,418,391		(32,161)
Other Transfers (In)/out	-	-	-		-
Surplus/(Deficit)	\$ 1,207,796	\$ -	\$ -		\$ -

FAN					
	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./ (Dec.)	Change \$ Inc./ (Dec.)
Revenue					
Financial Services Revenue	\$ 676,487	\$ 1,150,160	\$ 1,300,000	13%	\$ 149,840
Interest Revenue	18,552	20,000	50,000	150%	30,000
Other Revenue	4,577	-	250,000	100%	250,000
Total Revenue	<u>699,616</u>	<u>1,170,160</u>	<u>1,600,000</u>	<u>37%</u>	<u>429,840</u>
Expense					
Travel	100	-	-	-	-
Meals	252	-	-	-	-
Memberships	1,024	-	-	-	-
Consultants	201,757	271,250	420,000	55%	148,750
Legal Fees	-	66,756	100,000	50%	33,244
Commission Expense	900	-	-	-	-
Audit	10,550	29,000	85,000	193%	56,000
Bank Service Charges	-	13,000	50,000	285%	37,000
Miscellaneous	3,720	22,000	25,000	14%	3,000
Total Expense	<u>218,303</u>	<u>402,006</u>	<u>680,000</u>	<u>69%</u>	<u>277,994</u>
Transfers					
MTC Staff Cost	256,427	291,270	415,000	42%	123,730
Overhead	100,142	133,343	208,000	56%	74,657
Total Direct and Staffing	<u>574,872</u>	<u>826,619</u>	<u>1,303,000</u>	<u>58%</u>	<u>476,381</u>
Other Transfers (In)/out	-	-	(100,000)	-100%	(100,000)
			350,000	100%	350,000
Surplus/(Deficit)	<u>\$ 124,744</u>	<u>\$ 343,541</u>	<u>\$ 47,000</u>	<u>-86%</u>	<u>\$ (296,541)</u>

*Transfer in from Reserve

SF Bay Restoration Authority

	Actuals to 12/31/2017	Approved Budget FY 2017-18	Draft Budget FY 2018-19	Change % Inc./Dec.	Change \$ Inc./Dec.
Revenue					
4620 Measure AA Special Tax Revenue	\$ 7,442,734	\$ -	\$ 25,000,000	100%	\$ 25,000,000
Interest Revenue	19	-	250,000	100%	250,000
Other Revenue	-	555,700	-	-100%	(555,700)
Total Revenue	<u>7,442,753</u>	<u>555,700</u>	<u>25,250,000</u>	<u>4444%</u>	<u>24,694,300</u>
Expense					
State Coastal Conservancy Staff	-	-	559,981	100%	559,981
Travel	-	9,000	2,000	-78%	(7,000)
Office Supplies	-	700	1,269	81%	569
Consultant	65,465	489,432	23,926,921	4789%	23,437,489
Audit	2,700	-	50,000	100%	50,000
Bank Service Charges	-	-	20,000	100%	20,000
Insurance	170	12,500	12,500	0%	-
Committee Member Stipend	300	5,000	5,000	0%	-
Total Direct Expense	<u>68,635</u>	<u>516,632</u>	<u>24,577,671</u>	<u>4657%</u>	<u>24,061,039</u>
Transfers					
MTC Staff Cost	46,752	39,068	249,274	538%	210,206
Overhead	-	-	-	100%	-
Total Direct and Staffing	<u>115,387</u>	<u>555,700</u>	<u>24,826,945</u>	<u>4368%</u>	<u>24,271,245</u>
Other Transfers (In)/out					
MTC Administration	-	-	125,000	100%	125,000
MTC Overhead	-	-	-	-100%	-
Surplus/Deficit	<u>\$ 7,327,366</u>	<u>\$ -</u>	<u>\$ 298,055</u>	<u>100%</u>	<u>\$ 298,055</u>

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Authorization to Enter into a Contract with PricewaterhouseCoopers (PwC) to Provide Annual Financial and Compliance Audit Services for Five Fiscal Years in the amount of \$402,325**

Executive Summary

The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization for the Executive Director of the Metropolitan Transportation Commission, or his designated representative, to negotiate and enter into a contract with PricewaterhouseCoopers in an amount not to exceed \$402,325 to provide the annual Financial and Compliance audit services as described in the attached summary approval. The annual audit engagement will be for five (5) fiscal years. Staff will return to the ABAG Finance Committee and ABAG Executive Board annually to secure funds for each annual audit, based on continuing satisfactory service. The RFQ also permits two consecutive one-year options for a total of seven years.

Project Description

In November 2017, a Request for Qualifications (RFQ) to provide professional auditing services to perform annual fiscal audits for ABAG and MTC and their entities was issued.

Four firms responded to the RFQ. All the firms met minimum qualifications for experience and maintain local offices, and advanced to the interview process held on January 30, 2018:

- | | |
|-----------------------------------|---------------------------|
| 1. Crowe Horwath | San Francisco, California |
| 2. KPMG | San Francisco, California |
| 3. Macias, Gini & O'Connell (MGO) | Walnut Creek, California |
| 4. PricewaterhouseCoopers (PwC) | San Francisco, California |

The interview panel consisted of MTC Commissioner Worth, Chief Financial Officer Brian Mayhew, and four Finance staff members. The panel did not include an ABAG Executive Board or Finance Committee member which is an oversight we will correct on future proposals. The evaluation criteria were as follows: 1) experience and qualification of firm and assigned staff (30%); 2) comprehensiveness and adequacy of detailed work plan (20%); 3) reasonableness of

Authorization to Enter into a Contract with PricewaterhouseCoopers

March 8, 2018

Page 2

task hours (15%); 4) timetable for meeting deadlines (15%); 5) value-added expertise and experience (20%).

After a thorough review of the proposals and the interviews, the panel recommends the selection of PwC to perform the annual fiscal audits for ABAG, ABAG FAN, and ABAG POWER. PwC was determined to be most qualified based on a combination of the strength of the staff's qualifications and experience, the capability to provide a wide range of different types of audits, the approach to the engagement, and the labor resources available to meet the schedule. PwC is neither a small business nor a disadvantaged business enterprise and currently has no subcontractors.

The following table shows the collective final score average of the four proposers based on their proposals and interviews.

Criteria	PwC	KPMG	Crowe Horwath	MGO
Experience and qualification of firm and assigned staff (max 30 points)	28.2	28.2	26.7	23.3
Comprehensiveness and adequacy of detailed work plan (max 20 points)	19.7	18	15.1	12
Reasonableness of task hours (max 15 points)	12.3	12.7	11.3	8.7
Timetable for meeting deadlines (max 15 points)	14.2	13.8	11.3	8.6
Value-added expertise and experience (20 points)	17.7	18.3	18	16.5
Total (Max 100 points)	92.1	91	82.4	69.1

In the February 14, 2018 MTC Administration Committee meeting, PwC was recommended and selected to perform the audits for MTC and its affiliated entities. The firm has been involved in audit work with MTC since 1999. At the MTC meeting, there was considerable discussion about establishing a rotation policy that could have the effect of shortening the period of time for the PwC engagement. Staff intends to involve representatives of both boards in developing such a policy for consideration by the two boards later this year.

The following are the estimated audit hours proposed by PwC to be performed for ABAG and its affiliated entities:

Entities	2018	2019
ABAG	1,380	1060
ABAG POWER	445	375
ABAG FAN	474	394
TOTAL	2,299	1,829

Neither MTC nor PwC have any direct experience auditing ABAG or its affiliated entities. We have learned through the transition that ABAG is not a low risk operation, with over \$90 million

Authorization to Enter into a Contract with PricewaterhouseCoopers

March 8, 2018

Page 3

in active grants, an operational enterprise that buys and sells power, as well as an active financing conduit with over \$1.5 billion outstanding. As a result of this risk and complexity, the Committee will find the number of hours and costs significantly higher than in the past. The table above shows an estimated total audit hours of 2,299 for the first year audit, dropping by 470 hours (20%) the second year as we gain experience with the work and audit requirements. We estimate a total audit cost of \$402,325 with \$242,000 allocated to ABAG alone.

Recommended Action

The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization of the Executive Director of the Metropolitan Transportation Commission (MTC), or his designee, to negotiate and enter into a contract with PricewaterhouseCoopers, LLP (PwC) to perform annual fiscal audits of Association Bay Area Government (ABAG), ABAG Publicly Owned Energy Resources (ABAG POWER), and ABAG Finance Authority for Nonprofit Corporations (ABAG FAN). The contract would be for a five (5) year term beginning with fiscal years (FY) ending June 30, 2018 through June 30, 2022, with two (2) renewable one-year options through Fiscal Year 2023-2024, subject to annual budgetary approval.



Steve Heminger

Attachment

Summary Approval

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**S U M M A R Y O F E X E C U T I V E B O A R D A P P R O V A L**

Work Item No.:	1750
Consultant:	PriceWaterhouseCoopers, LLP
Work Project Title:	Audit and Professional Services
Purpose of Project:	To obtain services of an independent auditor
Brief Scope of Work:	To perform a comprehensive fiscal and compliance audit of ABAG, ABAG FAN, and ABAG POWER
Project Cost Not to Exceed:	\$402,325
Funding Source:	ABAG - \$241,500/ ABAG FAN - \$77,875/ ABAG POWER - \$82,950
Fiscal Impact:	Funds are included in the FY 2017-18 Budget. Future fiscal year funding will be subject to budgetary approval.
Motion by Committee:	The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization of the Executive Director of the Metropolitan Transportation Commission (MTC), or his designee, to negotiate and enter into a contract with PricewaterhouseCoopers, LLP (PwC) to perform annual fiscal audits of Association Bay Area Government (ABAG), ABAG Publicly Owned Energy Resources (ABAG POWER), and ABAG Finance Authority for Nonprofit Corporations (ABAG FAN). The contract would be for a five (5) year term beginning with fiscal years (FY) ending June 30, 2018 through June 30, 2022, with two (2) renewable one-year options through FY2023-2024, subject to annual budgetary approval.
ABAG Executive Board Approval:	David Rabbitt, ABAG President
Approval Date:	March 15, 2018

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ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: March 8, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Proposed Modification of Membership Dues**

Executive Summary

Staff requests that the Executive Board consider a modification of the membership dues for county membership in FY 2018-19.

Discussion:

The current fee structure declines as agencies increase in population. The four tiers are:

	Population	\$/Capita
First	50,000	\$0.21
Second	50,000	\$0.20
Next	100,000	\$0.14
Above	200,000	\$0.10

The largest population agencies are the nine counties whose average rate per capita is \$0.11 and \$0.12 for fiscal 2018 and 2019, respectively. By comparison, the average city cost per capita is \$0.18 and \$0.19 for fiscal 2018 and 2019, respectively.

The Contract for Services in section 4.2 (a) states that ABAG “will make best efforts and adopt strategies to identify and secure any additional revenues” to help offset the cost Metropolitan Transportation Commission has inherited in transitioning the ABAG employees to MTC employment. As shown in the attached excerpt from MTC’s FY 2017-18 adopted budget, that extra cost amounts to approximately \$2 million on an annual basis. The additional cost consists primarily of higher salary rates for the transitioning employees and unfunded pension/OPEB liabilities. In the current budget year, MTC covered those costs with transfers from the toll program and agency reserves.

Part of the discussion on revenue enhancement during the transition was making the new ACFA financing conduit operational, which is in the works. Staff believes another and more immediate

Proposed Modification of Membership Dues

March 8, 2018

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option is to modify the dues calculation for counties. Changing the calculation to a flat rate of \$0.19 will generate an additional \$525,000 in new revenue. This option is simple, direct, immediately available and also puts counties at the same average cost per capita as the current average city cost. A detailed schedule depicting the financial report by county is attached.

Any change to the current dues structure requires approval by both the Executive Board and General Assembly (GA). If the Executive Board agrees to recommend this proposed change to the GA in May, it is ABAG's prerogative as to how it wishes to dispose of the new revenue. If ABAG were to transfer the \$525,000 in new revenue to MTC, it would represent a significant "good faith" down payment on the staff consolidation costs described above. If the Executive Board recommends this course of action, it will need to direct staff to adjust ABAG's draft FY 2018-19 budget accordingly to reflect the transfer to MTC.



Steve Heminger

Attachment

Proposed Modification Membership Dues—County
Excerpt from MTC's FY 2017-18 Adopted Budget

Attachment

Proposed Modification Membership Dues—County

	Population 2019	Current Charge 2018	Population Charge 2019	Flat Fee	Total Dues 2019	Change	County Rate	Change
				\$ 782			\$ 0.19	
Alameda	1,645,359	167,209	\$ 177,856	\$ 782	\$ 178,637	\$ 11,428	\$ 304,848	\$ 126,210
Contra Costa	1,139,513	120,271	127,715	782	128,496	8,225	211,126	82,630
Marin	263,604	39,711	40,892	782	41,673	1,962	48,840	7,166
Napa	142,408	26,132	26,619	782	27,401	1,269	26,385	(1,016)
San Francisco	874,228	95,711	101,419	782	102,200	6,489	161,975	59,774
San Mateo	770,203	86,883	91,107	782	91,889	5,006	142,701	50,812
Santa Clara	1,938,180	195,377	206,881	782	207,662	12,285	359,101	151,438
Solano	436,023	55,994	57,982	782	58,764	2,770	80,785	22,021
Sonoma	505,120	62,362	64,832	782	65,613	3,251	93,587	27,974
County Total	7,714,638	\$ 849,650	\$ 895,302	\$ 7,035	\$ 902,337	\$ 52,687	\$ 1,429,347	\$ 527,010
Cities	6,960,160	\$ 1,213,921	\$ 1,211,392	\$ 78,168	\$ 1,289,559	\$ 75,638	\$ 1,289,559	\$ -
Total	7,714,638	\$ 2,063,571	\$ 2,106,693	\$ 85,203	\$ 2,191,896	\$ 128,325	\$ 2,718,906	\$ 527,010

- 14 Finance, Technology and Administrative Services employees - \$1.8 million.

Other Expenses

Other Expenses increased by \$2.9 million:

- \$1.6 million increase in general operations due to ABAG staff consolidation.
- \$200,000 increase in travel and printing due to ABAG staff consolidation.
- \$1.1 million increase in computer services. Of that, \$342,000 is related to the ABAG staff consolidation and \$758,000 is due to software licenses, hosted services and computer hardware.

Multi-Year Federal Grants

Approximately \$155 million in new STP grants and \$106 million in new CMAQ grants for multiple programs will be added in FY 2017-18 bringing the total grant program under management to \$317 million. Grants are budgeted on a life-to-date basis and as such only the new funding is subject to the annual budget approval process. The life-to-date budget for the multi-year federal grants is included in Attachment B.

Capital Projects

Capital projects are also budgeted on a life-to-date basis. The proposed FY 2017-18 budget includes capital expenditures of \$200,000 for improved records management. The Hub Signage capital budget will increase by \$1.1 million to reflect the work related to the Real Time Sign Enhancement.

Clipper®

Clipper® is an Enterprise Fund operated by MTC. The Clipper® operating and capital budgets for FY 2017-18 are shown in Attachment C. However, as an enterprise, Clipper®'s revenues and expenses do not flow through MTC.

The Clipper® operating expenses are projected to be \$32.4 million:

- \$28.2 million for Clipper® operations
- \$1.4 million for staff costs
- \$2.8 million for customer outreach/education

Total life-to-date Clipper® capital program budget of \$267 million will increase by \$2.5 million in FY 2017-18.

MTC/ABAG Staff Consolidation – Financial Consequences

As previously shared with the Commission as part of the financial due diligence, the MTC/ABAG staff consolidation is not without financial consequences for MTC. Table 3 on the following page summarizes the FY2017-18 budget impact. The financial result of the MTC budget before including the ABAG costs was a small net surplus of roughly \$225,000. After including the full ABAG consolidation staff costs, the budget shows a deficit of just under \$770,000 - a swing of nearly \$1 million. It is important to note that the deficit would have been closer to \$2.4 million if

not for two important mitigations: 1) the savings associated with management redundancies (\$0.6 million) and 2) the transfer of toll funding to cover the overhead costs for the San Francisco Estuary Program (\$1.1 million).

Table 3

	MTC	ABAG	Total
Revenues			
TDA (Sales tax)	\$ 11,950,000	\$ 1,300,000	\$ 13,250,000
Interest/Other	530,000	0	530,000
Planning grants	9,980,033	1,372,716	11,352,749
Transfers	17,905,925	5,854,947	23,760,872
State & Local Funding	4,980,850	0	4,980,850
Total Operating Revenue	\$ 45,346,809	\$ 8,527,663	\$ 53,874,472
Expenses			
Salaries/ Benefits	\$ 23,509,719	\$ 5,632,953	\$ 29,142,672
Other Expenses	5,964,531	1,817,495	7,782,026
Ops Subtotal	29,474,250	7,450,448	36,924,698
Contractual	15,647,340	2,068,166	17,715,506
Total Operating Expense	\$ 45,121,590	\$ 9,518,614	\$ 54,640,204
Surplus/Deficit	\$ 225,219	\$ (990,951)	\$ (765,732)

Budget Uncertainties

The FY 2017-18 budget makes assumptions about two issues of uncertainty that are atypical of past MTC budgets. The first has been the source of much discussion – the long-term financial effects on MTC and ABAG of the implementation of MTC Resolution 4210, which would integrate the ABAG staff within MTC. The second issue is the long-term effects of the CalPERS rate adjustments. A bit more detail is provided below on these topics.

- *MTC/ABAG Future Relationship:* With the signing of the ABAG CS, Resolution 4210 is fully established. There is still remaining longer-term uncertainty about the financial effects of the ABAG staff consolidation. As MTC begins its post consolidation operations, it will have to obtain a new actuary report, new CalPERS information for the additional new employees, and review the current and future grant and contract agreements. This could result in changes to the retirement and OPEB liability for the consolidated staff structure under MTC.
- *CALPERS Retirement Rates:* The second uncertainty lies with the future of CalPERS retirement rates. Agencies have been provided information on the impact of lowering the discount rate from 7.5% to 7.0% over a three-year period effective July 1, 2018. After the three-year ramp-up, MTC's normal costs will increase by up to 3% annually and the unfunded actuarial liability would go up 3%, 3%, and 9% during the three-year ramp-up. After three years, the unfunded actuarial liability will go up by 5% annually. There is no

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