



METROPOLITAN
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Memorandum

TO: Julie Pierce, ABAG President

DATE: April 19, 2017

FR: Jake Mackenzie, MTC Chair

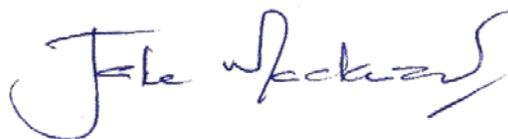
RE: Report of the MTC Executive Committee and Recommended Revisions to the Contract for Services and Memorandum of Understanding

As discussed at the Joint MTC Planning/ABAG Administrative Committee meeting on March 24th, I called a meeting of the MTC Executive Committee to discuss several policy issues related to the Contract for Services (CS) for the MTC/ABAG Staff Consolidation and Memorandum of Understanding (MOU) related to future governance. The Executive Committee met on Tuesday, April 18th. The policy areas of focus included: 1) Selection of future Executive Director; 2) CalPERS pension obligations; 3) Timeline for creation of a successor ABAG-affiliated conduit financing authority; and 4) Service Employees International Union (SEIU) and Committee for Staff Representation (CSR) employee concerns. As you know from your attendance at the meetings, the Committee recommended four revisions to the CS and MOU. A summary along with some background on the proposed revisions is below, and the revisions are detailed in Attachment A:

1. Selection Process and Committee Composition of future Executive Director: The MTC Executive Committee is recommending to add more definition to the process and composition related to the selection of the future Executive Director, and to make some refinement in order to avoid potential future questions related to the Brown Act. Specifically, the new language calls for a sequential interview/review process by an MTC committee and by an ABAG Ad Hoc committee, that would be appointed at the discretion of the ABAG President, before final recommendation to and approval of the new Executive Director by MTC. The MTC interview/selection committee is to be comprised of MTC Commissioners who do not serve on ABAG, with an exception for dual capacity allowed for the MTC Chair and Vice Chair. The separate interview processes by an MTC Committee and the use of an ABAG Ad Hoc committee, should the ABAG President decide in his or her discretion to establish one, is in the spirit of the original language adopted by the Joint Committees; it's simply a refinement to avoid potential questions related to permissible closed sessions under the Brown Act for hiring and interview purposes.
2. CalPERS Pension Obligation: A revision is recommended to clarify that even if MTC is called on to assist ABAG to find new revenue to meet its pension obligations, those obligations fully remain ABAG's to meet.

3. Future Governance Considerations: A revision is recommended to clarify in the MOU that the discussion on governance changes is just that, with no obligation on either policy board to agree to governance changes.
4. Creation of a Successor ABAG-Affiliated Conduit Financing Authority: Based on more consideration by staff of the time needed to stand up a new finance authority and ABAG's interest in accelerating the process, a compromise date of October 31, 2017 is proposed as the deadline to create a successor financing authority.

I respectfully request that the ABAG Executive Board consider approving these revisions at its meeting on Thursday evening. I will attend the meeting and can provide additional information and answer questions if necessary. The Commission stands ready to act on the CS and MOU, including the revisions, at its meeting next week on April 26th.



Jake Mackenzie

Attachment:

- Attachment A: Executive Committee Proposed Revisions to the Contract for Services and Memorandum of Understanding related to Future Governance referred by the Joint MTC Planning and ABAG Administrative Committee

JM:AAB

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Attachment A – Executive Committee Proposed Revisions to the MTC/ABAG Staff Consolidation Contract for Services and Memorandum of Understanding Related to Future Governance

1. Replace Section 6 of the MOU with the following:

Selection of Future Executive Director

The Executive Director of MTC will continue to serve as the Executive Director of MTC under the Contract for Services between MTC and ABAG. The Executive Director of MTC will also serve as the initial Executive Director of the consolidated staff. If there is a vacancy in the position of the Executive Director prior to a merger of MTC and ABAG, the Chair of MTC will establish an Executive Director interview/selection committee comprised of MTC commissioners who do not serve on ABAG to interview and select a final candidate or candidates who will then be presented to an ABAG Ad Hoc review committee should the ABAG President decide in his or her discretion to establish one. The MTC Chair and ABAG President may, in their discretion, appoint themselves and the MTC Vice Chair and ABAG Vice President, respectively, to serve on the respective interview committees and none of the four aforementioned officers shall be deemed ineligible if serving in a dual capacity for each agency. If an ABAG Ad Hoc review committee is appointed, its recommendation will be communicated to the MTC interview/selection committee who will then make a recommendation to the full MTC Commission for the final decision.

2. Replace Section 6.7 of the Contract for Services, page 10, with:

Pension and Medical Benefits

- (a) ABAG will retain sole financial responsibility for meeting its annual obligation for outstanding CalPERS pension obligations and retiree medical benefits, and will make meeting such obligations a budgetary priority.
- (b) In the event of need to fund the obligation referenced in subsection (a), the first priority for use of excess revenues from ABAG's new financial services joint powers authority will be to meet the obligations referenced in subsection (a).
- (c) In the event that the ABAG dues and revenues described in subsection (b) are insufficient and ABAG is unable to meet the obligations referenced subsection (a), MTC will use its best efforts to assist ABAG in raising new revenues required to make these payments; however, in no event shall MTC be responsible for nor assume the obligation to make such payments required under subsection (a) above.

3. Add the sentence below, shown in underline and highlighted text to Section 4 of the MOU:

Deadline to Initiate Discussions on Governance

No later than July 1, 2019, ABAG and MTC will begin discussions on whether the two agencies should restructure their governing boards to better serve the region and to better utilize

the consolidated staff. These discussions may be conducted directly through the Executive Board of ABAG and the Commission of MTC, or their respective designated policymakers or designated policy bodies. Both parties retain the sole individual discretion to decide whether or not to merge the two governing boards.

4. Add the date shown in underline and highlighted text below to the Contract for Services, Section 4.1, page 7

Following consultation with ABAG and the FAN Executive Committee, MTC will administer the current FAN portfolio in runout mode such that there will be no new debt issuance under the FAN name. During the FAN runout mode, MTC will evaluate the current FAN debt portfolio for refinancing opportunities and make recommendations to the FAN Executive Committee to authorize refinancing of debt issues that meet credit and economic conditions developed and approved by the FAN Executive Committee. The consolidated staff working for MTC will, no later than October 31, 2017, create a successor ABAG-affiliated conduit financing authority, which shall be a new legal entity with a new name and a new governing body (the ABAG Executive Board or its designee), to continue to meet the conduit financing needs of the region and of ABAG's member jurisdictions.