# AGENDA

**ABAG EXECUTIVE BOARD MEETING NO. 430**

Thursday, January 18, 2018, 7:00 p.m.

Location:

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

*The ABAG Executive Board may act on any item on this agenda.*

*Agenda and attachments available at http://abag.ca.gov/meetings/execboard.html*

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

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

**1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE**

**2. INSTALLATION OF PRESIDENT AND VICE PRESIDENT**

**3. PUBLIC COMMENT**

INFORMATION

**4. ANNOUNCEMENTS**

INFORMATION

**5. PRESIDENT'S REPORT**

ACTION

**A. Ratification of Committee Appointments**

**6. EXECUTIVE DIRECTOR'S REPORT**

INFORMATION

*Attachment: Executive Director's Report (To be sent under separate cover.)*

**7. CONSENT CALENDAR**

ACTION

Unless there is a request by an ABAG Executive Board member to take up an item on the Consent Calendar separately, the Consent Calendar will be acted upon in one motion.

**A. Approval of Executive Board Summary Minutes of Meeting No. 429 held on November 16, 2017**

*Attachment: Summary Minutes of November 16, 2017*

**B. Authorization to Amend ESTUARY NEWS Editorial Services Agreement with Ariel Rubissow Okamoto**

*Attachments: Memo Okamoto; Contract Agreement Amendment*

**C. Approval of Contract Amendment with California State Parks Division of Boating and Waterways for *Clean Vessel Act Outreach Program* Grant in the amount of $47,776**

*Attachments: Memo Clean Vessel Act Outreach Program; Grant Amendment Draft*

**D. Ratification of Contract Amendment with Santa Clara Parks and Recreation Department for *Implementing the Mercury Total Maximum Daily Loads (TMDL) for the Guadalupe River Watershed: Remediating Calcine Paved Roads and Upper Jacques Gulch***

*Attachments: Memo Calcine Paved Roads; Contract Modification Draft*

**E. Approval of RHNA Transfer Request Related to Santa Rosa Annexation**

*Attachments: Memo RHNA Transfer Santa Rosa Annexation; Letter Santa Rosa Request Transfer RHNA Allocations; Memo Sphere of Influence Methodology*

**F. Notification of Personnel Employment Changes**

*Attachment: Memo Personnel Employment Changes*

**8. ABAG LEGISLATION COMMITTEE REPORT**

ACTION

The ABAG Legislation Committee Chair will report on Committee activities and request ABAG Executive Board approval of Committee recommendations, including ratification of selection of Committee Chair and Vice Chair and approval of 2018 Final Joint Advocacy Program.

*Attachment: Legislation Committee Agenda*

*Agenda and attachments available at http://abag.ca.gov/meetings/*

**A. Approval of Joint ABAG/MTC Advocacy Program**

*Attachments: Memo Revised Final Joint Advocacy Program; Revised Joint Advocacy Program; Memo Final Joint Advocacy Program*

**9. ABAG FINANCE COMMITTEE REPORT**

ACTION

The ABAG Finance Committee Chair will report on Committee activities and request ABAG Executive Board approval of Committee recommendations, including ratification of selection of Committee Chair and Vice Chair, acceptance of Audited Financial Reports for Year End June 2017, and approval of contract with USI Insurance Services.

*Attachment: Finance Committee Agenda*

*Agenda and attachments available at http://abag.ca.gov/meetings/*

**A. Report on Audited Financial Reports for FY 2016-17**

*Attachments: Memo Audited Financial Reports; Basic Financial Statements Fiscal Year End June 2017; Single Audit Report Year End 2017; Memorandum Internal Control*

**B. Approval of Contract—Business Insurance Broker, Consultation Third Party Insurance Certificate Management Services—USI Insurance Services**

*Attachment: Memo Business Insurance Broker*

**10. ABAG REGIONAL PLANNING COMMITTEE REPORT**

ACTION

Committee Chair Pradeep Gupta, Councilmember, City of South San Francisco, will report on Committee activities.

*Attachment: Regional Planning Committee Agenda*

*Agenda and attachments available at http://abag.ca.gov/meetings/*

**11. ADJOURNMENT**

The next regular meeting of the ABAG Executive Board is on March 15, 2018.

Date Submitted: January 8, 2018

Date Posted: January 12, 2018

# SUMMARY MINUTES (DRAFT)

ABAG Executive Board Meeting No. 429
Thursday, November 16, 2017
Bay Area Metro Center
375 Beale Street, Board Room
San Francisco, California

## 1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

ABAG President Julie Pierce, Councilmember, City of Clayton, called the meeting of the Executive Board of the Association of Bay Area Governments to order at about 7:07 p.m.

A quorum of the ABAG Executive Board was present at about 7:07 p.m.

| Representatives and Alternates Present | Jurisdiction |
|---|---|
| Supervisor Candace Andersen | County of Contra Costa |
| Mayor Len Augustine | City of Vacaville |
| Supervisor David Canepa | County of San Mateo |
| Supervisor Damon Connolly | County of Marin |
| Supervisor David D. Cortese | County of Santa Clara |
| Mayor Leon Garcia | City of American Canyon |
| Councilmember Lynette Gibson McElhaney | City of Oakland |
| Councilmember Abel J. Guillen | City of Oakland |
| Vice Mayor Pradeep Gupta | City of South San Francisco |
| Supervisor Scott Haggerty | County of Alameda |
| Mayor Barbara Halliday | City of Hayward |
| Supervisor Erin Hannigan | County of Solano |
| Vice Mayor Dave Hudson | City of San Ramon |
| Mayor Wayne J. Lee | City of Millbrae |
| Supervisor Karen Mitchoff | County of Contra Costa |
| Councilmember Raul Peralez | City of San Jose |
| Councilmember Julie Pierce | City of Clayton |
| Senior Advisor Andres Power | City and County of San Francisco |
| Supervisor David Rabbitt | County of Sonoma |
| Director John Rahaim, Planning | City and County of San Francisco |
| Supervisor Belia Ramos | County of Napa |
| Director Todd Rufo, Economic and Workforce | City and County of San Francisco |
| Mayor Greg Scharff | City of Palo Alto |
| Mayor Trish Spencer | City of Alameda |
| Supervisor Norman Yee | City and County of San Francisco |

| Representatives Absent | Jurisdiction |
|---|---|
| Councilmember Annie Campbell Washington | City of Oakland |
| Supervisor Cindy Chavez | County of Santa Clara |
| Councilmember Lan Diep | City of San Jose |
| Councilmember Pat Eklund | City of Novato |
| Mayor Liz Gibbons | City of Campbell |
| Councilmember Sergio Jimenez | City of San Jose |
| Board Member William D. Kissinger * | SFRWQCB |

| | |
|---|---|
| Vice Mayor Jake Mackenzie | City of Rohnert Park |
| Supervisor Nathan Miley | County of Alameda |
| Supervisor Dave Pine | County of San Mateo |

* Non-voting Advisory Member

**Staff Present**

Steve Heminger, MTC Executive Director
Alix Bockelman, MTC Deputy Executive Director, Policy
Andrew Fremier, MTC Deputy Executive Director, Operations
Brian Mayhew, MTC Chief Financial Officer
Brad Paul, MTC Deputy Executive Director, Local Government Services
Cynthia Segal, MTC Deputy General Counsel

## 2. PUBLIC COMMENT

The following individual gave public comment: Ken Bukowski.

## 3. ANNOUNCEMENTS

There was no Executive Board member announcements.

## 4. PRESIDENT'S REPORT

### A. Resolution of Appreciation for Kenneth Moy

President Pierce recognized Kenneth Moy for his many years of service to the Association of Bay Area Governments and the Executive Board as Legal Counsel. She read and presented a proclamation acknowledging his good work and public service, and offered congratulations on the occasion of his retirement.

## 5. EXECUTIVE DIRECTOR'S REPORT

Steve Heminger, Executive Director, gave the Executive Director's Report for November 2017, which included the San Francisco Bay Restoration Authority and the Regional Measure AA; federal tax reform and effects on housing and transportation; Bay Bridge demolition update; and North Bay fire recovery.

Members discussed the North Bay wild fire response and recovery.

## 6. CONSENT CALENDAR

President Pierce recognized a motion by Dave Cortese, Supervisor, County of Santa Clara, which was seconded Scott Haggerty, Supervisor, County of Alameda, to approve the Consent Calendar, including ratification of the results of the Election of the Vice President and adoption of Resolution Nos. 16-17, 17-17, and 18-17.

Members discussed a performance report or year-end summary for the Bay Area Regional Network.

There was no discussion.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

**A. Approval of Executive Board Summary Minutes of Meeting No. 428 held on September 21, 2017**

**B. Ratification of Results of Election of the President and Vice President of the Association of Bay Area Governments**

**C. Approval of Meeting Schedule for 2018**

**D. Approval of Contract Amendments for 2018 Bay Area Regional Network**

1) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Energy Council in the amount of $6,023,966**
2) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of Contra Costa in the amount of $128,593**
3) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of Marin in the amount of $90,888**
4) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of Napa in the amount of $85,094**
5) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for City and County of San Francisco in the amount of $458,017**
6) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of San Mateo in the amount of $120,518**
7) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of Santa Clara in the amount of $235,468**
8) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for County of Solano in the amount of $92,864**
9) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Regional Climate Protection Authority in the amount of $408,718**
10) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Blue Point Planning in the amount of $30,000**
11) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Clean Energy Policy Advisors in the amount of $10,000**
12) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for CLEAResult Consulting in the amount of $3,086,500**
13) **Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Frontier Energy in the amount of $361,500**

**14) Approval of Contract Amendments for 2018 Bay Area Regional Network (BayREN) Activities for Sustainable Real Estate Solutions in the amount of $128,975**

**E. Approval of Pre-Qualified Panel of Consultants to Provide Evaluation, Measurement, and Verification Services for Bay Area Regional Energy Network (BayREN) Activities**

**F. Adoption of Resolution No. 16-17 Authorizing Submittal of Proposal and Enter into Grant Agreement with the State Parks Division of Boating and Waterways under the Clean Vessel Act Program**

**G. Adoption of Resolution No. 17-17 Authorizing Acceptance of Federal Emergency Management Agency Cooperative Technical Partners Program Grant in the amount of $299,221**

**H. Adoption of Resolution No. 18-17 Authorizing the Acceptance of a US Environmental Protection Agency Brownfields Community Wide Coalition Assessment Grant in the amount of $600,000**

**I. Ratification of an Agreement with Urban Resilient Strategies**

**J. Authorization to Enter into Subaward Agreement with Aquatic Sciences Center for the Bay Area Regional Wetland Monitoring Program**

With the ratification of the certification of results of the Election of the President and Vice President, she congratulated incoming President, David Rabbitt, Supervisor, County of Sonoma, and incoming Vice President, Greg Scharff, Mayor, City of Palo Alto.

**7. ABAG ADMINISTRATIVE COMMITTEE REPORT**

Administrative Committee Chair Julie Pierce, Councilmember, City of Clayton, reported on Committee activities, including the following:

On October 4, 2017, the Committee met to discuss a proposed Joint Representation Agreement between ABAG and the Metropolitan Transportation Commission. With Committee approval and with outside counsel consultation, she signed the Joint Representation Agreement on behalf of ABAG. The Committee also received a report on the status of the ABAG Finance Authority for Nonprofit Corporations and the Advancing California Finance Authority.

On October 13, 2017, the Committee had a joint meeting with the MTC Planning Committee. Staff gave a presentation on the Committee to House the Bay Area (CASA) which included an overview of its work around (1) increasing housing production, (2) preserving existing affordable housing, and (3) protecting vulnerable populations.

President Pierce recognized a motion by Lynette Gibson McElhaney, Councilmember, City of Oakland, which was seconded by Dave Hudson, Vice Mayor, City of San Ramon, to approve committee report.

There was no discussion.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

## 8. ABAG LEGISLATION COMMITTEE REPORT

Committee Chair Scott Haggerty, Supervisor, County of Alameda, reported on the special joint meeting with the MTC Legislation Committee on November 3, 2017, including the following: approval of the summary minutes of meeting on September 21, 2017; and a report on the 2018 Draft MTC/ABAG Joint Advocacy Program.

President Pierce recognized a motion by Haggerty, which was seconded by Karen Mitchoff, Supervisor, County of Contra Costa, to approve the committee report.

There was no discussion.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

## 9. ABAG FINANCE COMMITTEE REPORT

### A. Authorization to Increase the Approved 2017-2018 Budget and Work Program to Reflect the Addition of the Calendar Year 2018 BayREN Funding

Committee Chair Karen Mitchoff, Supervisor, County of Contra Costa, reported on Committee activities, including the following: approval of summary minutes of September 21, 2017; received and approved the report on Financial Reports for September 2017; received an approved the report on Financial Investments for September 2017; received and approved a report on ABAG Finance Authority for Nonprofit Corporations; received and approved a report on the Joint Powers Agreement for Advancing California Finance Authority; and received and approved a report on the increase in the 2017-18 Budget and Work Program for the Bay Area Regional Energy Network.

President Pierce recognized a motion by Mitchoff, which was seconded by Greg Scharff, Mayor, City of Palo Alto, to approve the committee report, including recommending Executive Board approval of the Joint Powers Agreement for Advancing California Forward

Authority and approval of the increase in the 2017-2018 Budget and Work Program to reflect the addition of the Calendar Year 2018 funding for the Bay Area Regional Energy Network.

There was no discussion.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

## 10. ABAG REGIONAL PLANNING COMMITTEE REPORT

Committee Chair Pradeep Gupta, Mayor, City of South San Francisco, reported on the Committee's first meeting on October 4, 2017 since the staff consolidation, including the following: a report on the Comprehensive Economic Development Strategy on the process of gathering Board of Supervisors endorsements and discussion on organization structure; and a report on the Committee to House the Bay Area (CASA), its potential relationship to the Regional Planning Committee and key issues.

President Pierce recognized a motion by Gupta, which was seconded by Gibson McElhaney, to approve the committee report.

Members discussed workforce housing; and CASA outcomes and timelines.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

## 11. REPORT ON LOCAL COLLABORATION PROGRAMS

### A. Adoption of Resolution No. 19-17 Approving the Joint Powers Agreement Creating the Advancing California Finance Authority (ACFA)

Brian Mayhew, MTC Chief Financial Officer, gave the staff report on the Joint Powers Agreement creating the Advancing California Finance Authority.

Members discussed the governing board and credit committee structure; federal tax reform and public activity bonds; conduit financing and fee structure; revenue source for ABAG's unfunded liability; marketing.

President Pierce recognized a motion by Mitchoff, which was seconded by Haggerty, to accept the staff report on the Joint Powers Agreement creating the Advancing California Finance Authority and to adopt Resolution No. 19-17.

Members discussed expected conduit financing activity; fee structure and budget; revenues and unfunded liabilities for pensions; marketing; and federal tax reform and public activity bonds.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

**B. Adoption of Resolution No. 20-17 Authorizing Amending the Existing Joint Powers Agreement among the Association of Bay Area Governments, State Coastal Conservancy, and the San Francisco Bay Restoration Authority**

Brad Paul, MTC Deputy Executive Director, Local Government Services, gave the staff report on amending the existing Joint Powers Agreement between ABAG, the State Coastal Conservancy, and the San Francisco Bay Restoration Authority.

President Pierce recognized a motion by Abel Guillen, Councilmember, City of Oakland, which was seconded by Haggerty, to accept the staff report on amending the existing Joint Powers Agreement for the San Francisco Bay Restoration Authority and to adopt Resolution No. 20-17.

There was no discussion.

There was no public comment.

The aye votes were: Andersen, Augustine, Canepa, Connolly, Cortese, Garcia, Gibson McElhaney, Guillen, Gupta, Haggerty, Halliday, Hannigan, Hudson, W. Lee, Mitchoff, Peralez, Pierce, Power, Rabbitt, Rahaim, Ramos, Rufo, Scharff, Spencer, Yee.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Diep, Eklund, Gibbons, Jimenez, Mackenzie, Miley, Pine.

The motion passed unanimously.

President Pierce thanked Brian Mayhew for the staff work on the ABAG FAN and ACFA.

## 12. ADJOURNMENT

President Pierce adjourned the meeting of the ABAG Executive Board at about 8:29 p.m.

The next regular meeting of the ABAG Executive Board is on January 18, 2018.

Submitted:

/s/ Fred Castro, Clerk of the Board

Date Submitted: December 21, 2017

Approved:

*For information or to review audio recordings of ABAG Executive Board meetings, contact Fred Castro, Clerk of the Board, at (415) 820 7913 or fcastro@bayareametro.gov.*

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **Authorization to Amend ESTUARY NEWS Editorial Services Agreement with Ariel Rubissow Okamoto**

**Executive Summary**

The San Francisco Estuary Partnership (SFEP), a program of ABAG, produces an award-winning ESTUARY NEWS Magazine approximately four times a year. ESTUARY NEWS is the 25-year-old regional magazine of the San Francisco Estuary Partnership and its myriad partners around the Bay and Delta. Written by professional, independent journalists, it provides in-depth, silo-crossing coverage of the environmental, restoration, and climate adaptation issues of our time, and tells the stories behind the 2016 Estuary Blueprint. ABAG contracts with Ariel Rubissow Okamoto to provide editorial services for the Magazine.

Staff proposes to extend the editorial services agreement for an additional year, through December 31, 2018. The budget has been updated to reflect the expected funding for this year and to catch up the previous year's total: an addition of $187,000. As of 2017, this agreement is fully funded by donations from local agencies, and the amount may vary each year. The updated total project cost is $331,450. There is no match contribution for this agreement.

**Recommended Action**

The Executive Board is requested to approve the amendment to ABAG's agreement with Ariel Rubissow Okamoto for ESTUARY NEWS editorial services for an additional year through December 31, 2018, and to authorize the Executive Director of the Metropolitan Transportation Commission, or his designee, to enter into the agreement.

Steve Heminger

**Attachment**

Contract Agreement Amendment

**AMENDMENT NO. 5 TO PROFESSIONAL SERVICES AGREEMENT**
**Between ASSOCIATION OF BAY AREA GOVERNMENTS**
**And ARIEL RUBISSOW OKAMOTO**
**For ESTUARY NEWS MAGAZINE EDITORIAL SERVICES**

THIS AMENDMENT, effective as of January 1, 2018 is Amendment No. 5 to the Agreement by and between the Association of Bay Area Governments ("ABAG") and Ariel Rubissow Okamoto ("CONSULTANT"), dated January 1, 2014, as amended on October 10, 2014, January 1, 2015, January 1, 2016, and December 20, 2016 (collectively, "Agreement").

NOW, THEREFORE, the parties agree to modify the subject Agreement as follows:

*1.* Article 2.0, TIME OF PERFORMANCE, is revised to extend the period of performance through December 31, 2018.

*2.* Article 14, NOTICES, is revised to update the address of San Francisco Estuary Partnership:

San Francisco Estuary Partnership/ABAG
375 Beale Street, Suite 700
San Francisco, CA 94105-2066
Attn: Athena Honore
Phone: 415-778-6648
Email: athena.honore@sfestuary.org

*3.* Exhibit A, Budget, is revised as attached hereto and incorporated herein by this reference.

*4.* Retention of Contract Provisions. Except as provided herein, all other terms and conditions of the Agreement remain unchanged.

IN WITNESS WHEREOF, this Amendment has been executed by the parties hereto as of the day and year first written above.

| ASSOCIATION OF BAY AREA GOVERNMENTS | CONTRACTOR |
|---|---|
| Steve Heminger, MTC Executive Director pursuant to the Contract for Services dated May 30, 2017 | Ariel Rubissow Okamoto |

**EXHIBIT A**

BUDGET

(Revised January 1, 2018, changes in italics)

BUDGET: *The budget is amended to increase the maximum payment under the Agreement by one hundred eighty-seven thousand dollars ($187,000) to three hundred thirty-one thousand four hundred fifty dollars ($331,450).*

*Consultant will monitor the amount raised by donations from local partners. Consultant will notify SFEP when the funds raised are not sufficient to support the next issue of the Magazine. Consultant and SFEP will then agree on a scope of work and budget to cease publication.*

*Hourly rates are updated to: Ariel Okamoto: $125/hour*
*Darren Campeau: Design $80/hour, Layout $67/hour*

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **Approval of Contract Amendment with California State Parks Division of Boating and Waterways for *Clean Vessel Act Outreach Program* Grant**

**Executive Summary**

The San Francisco Estuary Partnership (SFEP), a program of ABAG, was awarded a Clean Vessel Act (CVA) grant in 2017 and entered into a $275,000 contract with the California State Parks Division of Boating and Waterways (DBW) on March 10, 2017. This grant ends on March 1, 2018.

The DBW has asked SFEP to update their Vessel Waste Disposal Plan using an additional allotment of CVA funds. The goal of the plan is to ensure the availability and accessibility to the boating public an adequate number of pumpout, dump stations and floating restrooms throughout the coastal and inland waterways of the state.

SFEP submitted a proposal for the work and the state has accepted the scope and has prepared a draft amendment to the current CVA grant (State Grant Number C8957414) to extend the contract, increase the scope of work, and to increase the budget by $46,776 to accomplish the new scope. The contract will be extended through the end of 2019 to accomplish this work and obtain all approvals at the state level.

The updated total project cost is $504,613, with a state grant amount of $321,776 in federal dollars and non-Federal in-kind match of $182,837. SFEP/ABAG is providing staff time and equipment match.

**Recommended Action**

The Executive Board is requested to approve a contract agreement with the California State Parks Division of Boating and Waterways for a Clean Vessel Act grant adding $46,776 for a final total of $321,776 and to authorize the Executive Director of the Metropolitan Transportation Commission, or his designee, to enter into the agreement.

Steve Heminger

**Attachment**

Grant Amendment Draft

State of California – Natural Resources Agency
DEPARTMENT OF PARKS AND RECREATION
DIVISION OF BOATING AND WATERWAYS

# AMENDMENT TO GRANT

## Grant No. C8957414 Amendment No. 1

**PROJECT: Clean Vessel Education Grant, Northern CA (#1119)**

THIS AMENDMENT is hereby made and agreed upon by the State of California, acting through the Director of the Department of Parks and Recreation and by **Association of Bay Area Governments**.

The State and, **Association of Bay Area Governments**, in mutual consideration of the promises made herein and in the grant in which this is an amendment, do promise as follows:

**Exhibit D, - ARTICLE 3 – TERM OF AGREEMENT, subpart A.) is deleted and replaced with:**
**"This Grant Agreement, subject to any provision for prior termination, shall begin on the Effective Date and shall continue until February 1, 2020."**
**ADD Exhibit E, California State Parks, Division of Boating and Waterways CA Vessel Waste Disposal Plan Update and Exhibit E Supplemental, CA Vessel Waste Disposal Plan 2018 Update – Proposed Statement of Work are added and made a part of this Agreement.**

**This amendment increases the grant amount by $46,776 for a total grant of $321,776**

In all other respects, the grant of which this is an amendment, and the terms and conditions if relevant thereto, shall remain in full force and effect. In witness whereof the parties hereto have executed this amendment as of the date entered below.

**Grantee**: Association of Bay Area Governments
**Address**: P.O. Box 2010
Oakland, CA 94604-2050

**Agency**: Department of Parks and Recreation, Division of Boating and Waterways
**Address**: One Capitol Mall, Suite 500
Sacramento, CA 95814

BY: ______________________________
(Authorized Signature)

Bradford Paul, Executive Director
(Printed Name and Title of Authorized Representative)

Date______________________________

BY: ______________________________
(Authorized Signature)

Ramona Fernandez, DEPUTY DIRECTOR (ACTING)
(Printed Name and Title of Authorized Representative)

Date ______________________________

**CERTIFICATE OF FUNDING**
**(FOR STATE USE ONLY)**

| GRANT NO | AMENDMENT NO | CALSTARS VENDOR NO | | PROJECT NO |
|---|---|---|---|---|
| C8957414 | 1 | V000050246-00 | | 688002-00 |
| AMOUNT ENCUMBERED BY THIS DOCUMENT<br>TBA | FUND TITLE<br>FEDERAL TRUST FUND-Federal Grant Project (F14AP00871,V35) (L00002-00) Coastal $275,000 (F16AP00380) Coastal $46,776.00 | | AGENCY BILLING CODE NO<br>032030 | |
| PRIOR AMOUNT ENCUMBERED BY THIS DOCUMENT<br>TBA | ITEM<br>3790-101-0890 | CHAPTER<br>25 | STATUTE<br>2014 | FISCAL YEAR<br>2016/17 |

<table>
<tr><td>TOTAL AMOUNT ENCUMBERED TO DATE<br>TBA</td><td>INDEX<br>1709</td><td>OBJECT CODE<br>702</td><td>PCA CODE<br>68108</td><td>PROJECT/WORK PHASE</td></tr>
<tr><td>T.B.A. NO</td><td colspan="4">I hereby certify upon my own personal knowledge that the budgeted funds are available for this encumbrance.</td></tr>
<tr><td>B.R.NO</td><td colspan="3">ACCOUNTING OFFICER'S SIGNATURE</td><td>DATE</td></tr>
</table>

EXHIBIT E

# California State Parks, Division of Boating and Waterways
# CA Vessel Waste Disposal Plan Update

## Purpose and Objectives

To update the Statewide Vessel Waste Plan by February 1, 2020.

## Introduction

In 2002 DBW updated the most current Statewide Vessel Waste Plan. DBW proposes to update the Statewide Vessel Waste Disposal Plan in the Clean Vessel Grant Award F16AP00380. The goal of the plan is to ensure the availability and accessibility to the boating public an adequate number of pumpout, dump stations and floating restrooms throughout the coastal and inland waterways of the state.

## Goal

Identify proactively what CA should be doing as a state in order to ensure the availability and accessibility of an adequate number of pumpout, dump stations, and inland floating restrooms throughout California's waterways.

## Objectives

1. Update the CA Vessel Waste Disposal Plan
2. Develop an inventory list and map of the current pumpout, dump stations, and inland floating restrooms along California waterways. Including for each entry the following information:
    a. Name of the marina/boating facility
    b. Address
    c. County
    d. Phone number
    e. Specific location of the service (pumpouts, dump stations and floating restrooms) within the facility- GPS coordinates
3. Identify the current number of CA boats that need to use pumpout and dump stations.
4. Assuming liveaboards will be allowed to be served, identify regions that CVA funded pumpout boats could or should be utilized.
5. Recommend a statewide target number of facilities (pumpout and dump stations, and inland floating restrooms) to provide reasonable levels of services to the CA boating public.

6. Identify areas of special biological significance in CA that should be a priority for services (pumpout, dump stations, and inland floating restrooms).
7. Recommend the water bodies and boating regions that should be targeted by the state to provide reasonable levels of sewage related services.
8. Provide recommendations to update the CVA application and scoring sheet.
9. Update glossary of terms.
10. Recommend strategies, including target regions, facilities, money allocations and timeframe for meeting the statewide plan over the next five years.

## Resources

1. Boating Facilities Locator data collected by CSU, Sacramento
2. Pumpout Nav App data
3. Boating facilities' emails from Boating Facilities Locator project collected by CSU, Sacramento
4. Educational Maps and Southern CA Boater's Guide
5. DMV Data – DBW will coordinate
6. DBW floating restroom data

## Budget

Budget can't exceed a total of $125,000 in project costs which equates to $93,750 in federal grant funding and $31,250 in matching funding.

## Timeline

1. Draft one – End of December 2018
2. Draft two – End May 2019
3. Final draft – End of December 2019

# CA Vessel Waste Disposal Plan 2018 Update – Proposed Statement of Work

*Submitted 11/17/2017*

## Introduction

The California Statewide Vessel Waste Disposal Plan was last updated by the Department of Boating and Waterways in 2002. Since this update, many pumpouts, dump stations, and floating restrooms have been installed throughout the state; mobile pumpout services have emerged as a new technology that can reduce sewage discharge into state waters; and the population of the state has increased by over 5 million people. In addition, laws have changed at the state and local level, the Department of Boating and Waterways was merged into State Parks as a Division, and the US Fish and Wildlife service has issued new guidance on the Clean Vessel Act (CVA) that is expected to change again in the near future. To ensure that the State of California has the information and strategy to make proactive management decisions regarding sewage management throughout the state, the California Vessel Waste Disposal Plan needs to be updated. The intent of this proposal is to outline the information, strategies and products to be collected, defined, and delivered to accomplish this update.

The Division of Boating and Waterways (DBW) works closely with two National Estuary Programs in the state to achieve its outreach and education goals, the San Francisco Estuary Partnership (SFEP) in Northern California, and The Bay Foundation (TBF) in Southern California. These two programs are housed with local governments and non-profits that allow them to achieve the work the state wants to accomplish, in regard to the CVA program, at a local level. SFEP and TBF are ideally suited to assess the state's pumpout infrastructure, strategies, and needs as they are agencies deeply involved in regional information gathering and planning efforts.

SFEP and TBF will partner to provide recommendations for the update of this Plan as outlined below. DBW will be responsible for providing some information as outlined below, will be the final author, and will take all responsibility for reviewing the work submitted and obtaining approvals. SFEP and TBF are willing to provide these recommendations to the state but will not provide any funding or time frame suggestions as this is a state responsibility that should be accomplished by entities that will not be subject to any possible conflict of interest concerns in the future. Additionally, the state will be responsible for all final decisions on submitted recommendations as well as the Plan's implementation.

# New Task #7 - Update CA Vessel Waste Disposal Plan

SFEP and TBF will update the language, figures, tables, and strategies identified in the plan to reflect current data collected as identified below. This report will be submitted to DBW in its draft format as a set of recommendations that DBW will be responsible for reviewing and editing as needed to meet state and federal goals, objectives, and requirements. All data, facts, and figures will contain references as necessary. This work will include recommended strategies and target regions to prioritize to meet pumpout needs but will not provide funding allocations or timeframes for meeting the recommended goals and objectives within the updated report.

These sections may include but are not limited to:

- Introduction
- Goals and Objectives
- Implementation Benefits
- Statewide Approach
- Strategy
- Education and Outreach
- Pumpout Monitoring
- Reporting
- Appendix of Relevant Tables, Figures and Maps

SFEP and TBF will provide an updated list of areas of special biological significance in California. This list will be vetted by relevant regulatory agencies and dated to allow for future updates.

SFEP and TBF will provide recommended changes to the California Clean Vessel Act grant application and scoring sheet to reflect changes to the California Vessel Waste Disposal Plan and USFW CVA federal rule changes if any occur in 2018.

## 7.1 Data Collection

Utilizing the facility list provided by DBW, in partnership with the California State University (CSU), SFEP and TBF will develop an inventory list and map of the current stationary pumpout, in-slip pumpout, dump stations, and inland floating restrooms along California waterways. Depending on time and funding SFEP and TBF will inventory additional facilities that are not included on the list provided by DBW. Currently, approximately 400 facilities have been identified by CSU that will need to be included in our data collection efforts.

The inventory list developed will include:

- Name of the boating facility
- Address
- County

- Phone number
- Facility type (i.e. stationary pumpout, in-slip pumpout, dump station, or floating restroom)
- GPS location of facility. When possible GPS of the actual pumpout, dump station, and floating restroom will be provided. When not possible, GPS of the facility address will be used.

In addition to this information, SFEP and TBF will determine the approximate total number of slips and slip size distribution per geographic area (i.e according to 2009 data Marina del Rey Harbor has 4,731 slips: 1,231 ≤ 25’, 2,074 are 26’ to 35’, 923 are 36’ to 45’, and 503 ≥ 46’). This data will be used to determine the potential maximum number of boaters in need of sewage disposal resources per geographic area. This data will also be used to determine the ‘current ratio’ or number of current facilities to potential maximum number of boaters. SFEP and TBF will not collect information about the total number of boats and their size ranges at each facility for two reasons: 1) Marinas are typically hesitant in providing that information to the public and 2) this information will be quickly outdated, limiting its usefulness. Using slip data to calculate need will allow the state to plan for the maximum number of pumpouts that would be needed in any given region, allowing for more protective management measures.

SFEP and TBF will be collecting this information through emails, phone calls, and via the internet where available. No staff will travel to locations to collect or ground truth data as there isn’t sufficient budget to warrant this activity, and both agencies believe that the goals and objectives outlined in this proposal can be achieved without travel.

## 7.2 Data assessment

After collecting the information identified in the Data Collection Task, SFEP and TBF will analyze the data to estimate the current number of vessels in California that need access to pumpout stations and dump stations based on the DMV boat registration data provided by DBW. The number of potential vessels that would need to have access to these facilities will be estimated and will be based on the number of slips of various sizes throughout California. This work may include maps, figures, tables, and narrative content.

SFEP and TBF will use the information collected in the Data Collection Task to identify the regions where CVA funded mobile pumpout boats and programs could play an important role in curbing sewage discharge.

## 7.3 Develop Recommendations and Statewide Strategies

SFEP and TBF will recommend a statewide ‘target ratio’ and number of facilities to provide reasonable levels of services to the CA boating public. This information will take into consideration manufacturer input where appropriate.

Based on data collected and the ‘target ratio’, SFEP and TBF will recommend the water bodies and boating regions that should be targeted by the state to provide reasonable levels of sewage related services.

SFEP and TBF will recommend a strategy for prioritizing water bodies and boating regions that should be targeted by the state over the next five years. This strategy will take into consideration the 'current ratio', 'target ratio', areas serviced by mobile pumpouts, and areas of special biological significance. TBF and SFEP will implement the recommended strategy to develop a prioritization list of water bodies and boating regions that should be targeted by the state. To avoid any potential conflicts of interest SFEP and TBF will not recommend money allocations.

# List of DBW Responsibilities

As part of this project DBW will provide SFEP and TBF with the following information:

- Facility list developed by CSU, Sacramento
- Boating facilities email list that correlates to the facility list developed by CSU, Sacramento
- DMV boater registration data
- Floating restroom data
- Review of rules, regulations and statutes that can pay for 25% match
- Collect boat usage by water body

# Schedule

- Data collection, input, and quality assurance - January to June 2018
- Data assessment - July to September 2018
- Develop recommendations - October to November 2018
- Develop draft CA Vessel Waste Disposal Plan- December 2018
- Final draft CA Vessel Waste Disposal Plan submitted to DBW - January 31, 2019

# Deliverables

1. Draft CA Vessel Waste Disposal Plan
2. Final draft CA Vessel Waste Disposal Plan
3. All data files created to fulfill task components as identified in this SOW

# List of Possible Future Work

Due to the limitations of funding and the robust amount of work that needs to be accomplished as part of this update, SFEP and TBF do not have the resources to engage as deeply in the research and assessment components as could otherwise be accomplished. As such, SFEP and TBF have identified a number of future efforts that could supplement this update with meaningful information:

- Prioritized list of marinas to engage in regions that have been identified as needing additional pumpouts

- An assessment of liveaboard populations by region based on information collected directly from marinas, regulatory limits of live-aboards imposed by local and state entities, and estimations where the first two are not available.

Budget

| | Task 7 - CA Vessel Waste Disposal Plan Update | | | | |
|---|---|---|---|---|---|
| | Hours | Salary (65.2%) | Benefits (34.8%) | TOTAL CVA Budget | Total Match* (48.28% of hourly rate) |
| **James Muller** **$91/hr** | 265 | $15,733 | $8,383 | $24,116 | $15,978 |
| | | | | | |
| | Hours | Salary | Benefits | | |
| **Adrien Baudrimont** **$79/hr** | 51 | $2,629 | $1,400 | $4,029 | $2,670 |
| | | | | | |
| | Hours | Salary | Benefits | | |
| **Natasha Dunn** **$69/hr** | 270 | $12,155 | $6,476 | $18,632 | $12,345 |
| **TOTAL** | 586 | $30,517 | $16,259 | $46,776.44 | $16,259.45 |

*NOTE – Match provided is overhead. MTC's overhead rate is 48.28% of the billable rate. Overhead will not be charged to the CVA grant and will be documented as match.

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **Ratification of Contract Amendment with Santa Clara Parks and Recreation Department for *Implementing the Mercury Total Maximum Daily Loads (TMDL) for the Guadalupe River Watershed: Remediating Calcine Paved Roads and Upper Jacques Gulch***

**Executive Summary**

The San Francisco Estuary Partnership (SFEP), a program of ABAG, was awarded an $800,000 EPA grant for the project *Implementing the Mercury Total Maximum Daily Loads (TMDL) for the Guadalupe River Watershed: Remediating Calcine-paved Roads and Upper Jacques Gulch* in January, 2014*.* Subawardee Santa Clara County (Parks Department) has a $652,605 contract to complete the implementation.

This project has addressed both the Guadalupe River Watershed Mercury and San Francisco Bay Mercury TMDLs by removing the 3.8 miles of high priority mine waste trail pavement within the Almaden Quicksilver County Park in Santa Clara County. The county has completed all construction activities and is ready to close out the project. This amendment is administrative in nature and will not alter scope or schedule.

The amendment will transfer $120,939 in unused funds from intended design work for a task later deemed infeasible to construction. It will also add $16,413 in unused administrative funds originally designated for SFEP. The updated agreement total will be $669,018.

The Santa Clara County Parks subagreement expired December 31, 2017.

**Recommended Action**

The Executive Board is requested to ratify a contract amendment with the Santa Clara Parks and Recreation Department for *Implementing the Mercury TMDL for the Guadalupe River Watershed: Remediating Calcine-paved Roads and Upper Jacques Gulch* for a total amount of $669,018 and to authorize the Executive Director of the Metropolitan Transportation Commission, or his designee, to enter into the contract amendment.

Steve Heminger

**Attachment**

Contract Modification Draft

**ASSOCIATION OF BAY AREA GOVERNMENTS**
**EPA Grant 99T03401-2**
**ABAG Project 102230**

**CONTRACT MODIFICATION NO. 2**
**DATE: December 12, 2017**

**SUBRECIPIENT: County of Santa Clara**

This contract modification serves to modify the budget and scope of work for the ~~Senador Mine~~Calcine Paved Roads project as detailed in the original Subrecipient Agreement. This modification also serves to change match amounts between tasks but will not modify the total match.

**1.0 Applicable Documents**
Attachment 1, Scope of Work, is replaced with Attachment 1 (revised), Scope of Work, attached hereto and incorporated herein by this reference.

**4.0 Subaward Amount**
The maximum amount to be funded by the EPA and disbursed through ABAG to Subrecipient shall be increased by sixteen thousand four hundred and thirteen dollars ($16,413) to a revised Subaward Amount of six hundred sixty nine thousand and eighteen dollars ($669,018).

**OTHER CONTRACT PROVISIONS:**
All other provisions of the original subagreement remain in force.

**IN WITNESS WHEREOF,** the Subrecipient by signature indicates acceptance of this Contract Modification and agrees to comply with all terms set forth in the subcontract and the modification.

Dated: ____________

Subrecipient: County of Santa Clara

____________________________
______________________________
Dave Cortese, President,
Board of Supervisors

ATTEST:

____________________________
______________________________
Megan Doyle, Clerk,
Board of Supervisors

Approved as to form and legality:

______________________________
Shirley R. Edwards, Deputy County Counsel

ASSOCIATION OF BAY AREA GOVERNMENTS

Dated: ____________

_______________________________
Steve Heminger, Metropolitan Transportation Commission Executive Director, acting pursuant to the Contract for Services dated May 30, 2017

Approved as to legal form:

___________________________

Adrienne D Weil, Metropolitan Transportation Commission General Counsel

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**ATTACHMENT 1 (revised)**
**SCOPE OF WORK**

## Introduction/Background

This project will address both the Guadalupe River Watershed Mercury TMDL and the San Francisco Bay Mercury TMDL by targeting the last two high priority mine waste sites within the Almaden Quicksilver County Park (Park) in Santa Clara County. The Park is located in the Guadalupe River watershed and has elevated mercury concentrations as a result of historic operations in the Mine Hill area and naturally occurring mercury associated with the Los Capitancillos ridge. Approximately three miles of trail roads within the Park (operated by the Santa Clara County Parks and Recreation Department, known as SCCPRD) are paved with calcines (waste product from historical mercury mining) and are largely concentrated around Mine Hill. This calcine pavement layer ranges from three to six inches deep and in certain locations shows erosional features such as rills, roadside slumping, and raveling. Samples taken from these roads ranged from 33 mgHg/kg to 233 mgHg/kg. Mercury-contaminated pavement and sediment show signs of eroding downstream into tributaries of the Guadalupe River, eventually reaching the San Francisco Bay. This project's goal is to reduce the transport of mercury-laden calcine pavement and sediment from the New Almaden Quicksilver County Park trails downstream into the Guadalupe River Watershed.

The Project has two focus areas. The first will include the design, permitting, removal, and proper disposal of approximately 3 linear miles of calcine pavement within the New Almaden Quicksilver County Park. The second will include the feasibility assessment for the restoration/remediation of upper Jacques Gulch. The SCCPRD will prepare drafts of deliverables for review and approval by the San Francisco Estuary Partnership (SFEP), San Francisco Bay Regional Water Quality Control Board (RWQCB) and U.S. Environmental Protection Agency (EPA).

## Tasks to be Performed

### Task 1: Project Management

#### Task 1.1 Communications, Coordination, and Meetings

SCCPRD will work with the SFEP project manager to ensure all documents, plans and other deliverables are made available on Basecamp for review by the EPA, RWQCB, and other relevant parties. SCCPRD will also facilitate in-person meetings as reasonably requested by SFEP. All agendas and minutes of in-person meetings with the reviewing agencies will be collected by SCCPRD and sent to SFEP with quarterly reports for the period in which they occurred. After project completion, SCCPRD will host an onsite visit, inviting SFEP, RWQCB staff, EPA and other relevant parties.

#### Task 1.2 Project Schedule and Budget Tracking

SCCPRD will adhere to and track the project schedule and budget included in this agreement. If major changes are required, SCCPRD will alert SFEP immediately and request approval in writing with supporting documentation. If changes are approved, SCCPRD will provide an updated schedule and budget with the quarterly report for the period in which the changes were approved.

#### Task 1.3 Progress Reporting

SCCPRD will prepare and submit quarterly progress reports to SFEP within 15 days after the end of each Federal fiscal quarter (January 15, April 15, July 15, and October 15) for the full length of the project. The quarterly progress reports will include a description of project activities conducted during the quarter, progress towards milestones, changes to the project schedule, an up to date budget summary including match and supporting documentation, a summary of environmental outcomes, problems encountered and resolutions, and activities planned for the next quarter. In addition, the first quarterly report will provide information on all work to date.

***Task 1 Deliverables***: Quarterly reports, meeting minutes and agendas, final site visit

### Task 2: QAPP Development

This task has been removed as Jacques Gulch was found to be infeasible to implement.

### Task 3: Design Development

SCCPRD will prepare a full set of construction plans, specifications, and construction cost estimate for the project described in this scope of work. SFEP will work with SCCPRD to facilitate review of these plans by regulatory and funding agencies at milestone phases (60%, 90%, 100%). SCCPRD will ensure all comments are addressed and that the reviewing agencies are satisfied with the responses. At the reasonable request of SFEP, SCCPRD and consultants involved in the project's design shall meet with regulatory entities and SFEP staff to ensure comments and concerns are properly addressed.

***Task 3 Deliverables***: 60%, 90% and draft/final 100% design plans for construction

### Task 4: Permitting and CEQA

SCCPRD will apply for and obtain all permits required for construction of this project. SCCPRD will prepare an initial study/mitigated negative declaration (IS/MND) or other appropriate California Environmental Quality Act (CEQA) compliance document or finding for compliance with CEQA.

***Task 4 Deliverables***: Approval letters/memos for 404, 401, Section 7 (USACE & USFWS) and 1602 permits, approved CEQA documentation

### Task 5: Construction

SCCPRD will oversee project construction including acquiring bids for the construction through a competitive process, administering the construction to ensure the design plan is being correctly

implemented, ensure all permits are adhered to, and ensure construction budgets are adhered to within a 20% contingency. Construction is to take place in the 2015 season. SCCPRD will select the contractor and all protocols respective to federal and state requirements will be adhered to. The contractor will implement approved and permitted 100% design plans for the calcine-paved roads. This will include environmental and topographic surveys for site preparation, excavation of calcines, re-grading of the road surfaces, and disposal of the calcine material in the DTSC regulated mercury mine waste disposal site, the San Francisco Open Cut, located within the park. During construction, biodegradable fabric and mulch will be utilized, along with other Best Management Practices to control possible erosion. The roads will be replaced with compacted aggregate base rock II to provide an all-weather, permeable trail surface. Any disturbed areas off roadways will be seeded and planted with native plants, seeds, and cuttings. The trails being addressed contain several culverts that may need to be replaced upon excavation of the calcine pavement. Currently, County Parks has a MOU with the California Department of Fish and Wildlife (CDFW) regarding Culvert replacement, streamlining the permitting process. Any deviation from the MOU would necessitate additional permits from CDFW. During construction, the site and material will be monitored as per the approved QAPP.
***Task 5 Deliverables***: Photo documentation of construction/remediation of calcine-paved roadways (including Randol, Castillero, Yellow Kid, April, Hidalgo and portions of the Mine Hill Trail) within the park and sequestration of that material within the SF Open Cut.

### Task 6: Outreach and Education

SCCPRD will work with SFEP and community organizations to educate the public on the history and environmental consequences of the New Almaden Mining District's operations. Specifically, outreach will inform the public as to what past and current remediation efforts within the park are going to accomplish and how they will improve water quality within the watershed. In addition to working directly with the community at large, the Friends of the Los Alamitos Watershed will develop signage to inform visitors of the historical operations and legacy mercury pollution.

***Task 6 Deliverables***: Signage for the project and the education of community members and groups, a list of meetings attended/held where outreach was conducted, number of community members and groups worked with.

### Task 7: Jacques Gulch

SCCPRD will complete a feasibility assessment and conduct a biological assessment and wetland delineation for the Jacques Gulch Tributary beginning just south of Mine Hill. Bidding and contracting will adhere to all applicable federal and state regulations. These design plans will be submitted to regulatory agencies with purview over stream restoration projects and to project funders for review. This task will allow future implementation efforts to remediate this feature, completing the total remediation of the Jacques Gulch Reach. The county will provide costs estimates and next steps forward for this project in the final report.

***Task 7 Deliverables***: An EPA- and San Francisco Regional Water Quality Control Board-approved Feasibility Study

### Task 8: Final Report

SCCPRD will assist SFEP in completing a final report summarizing all activities taken during the project and will include an assessment of how effective the project was in achieving environmental outcomes and TMDL objectives, community outreach goals, and the quantity of mercury removed/stabilized.. This report will also outline the next steps needed to continue the remediation efforts of Jacques Gulch.

***Task 8 Deliverables***: Draft and Final Project Report

### Environmental Outcomes

1. Address Guadalupe River Watershed and San Francisco Bay Mercury TMDL goals by reducing mercury loading in the Guadalupe River Watershed from mine waste and mercury-laden sediments.
2. Remediation of the highest priority feature associated with the mercury TMDL within the Park.
3. Remediation of all calcine-paved roads features, sequestering an estimated 24.83 – 263 kgHg within the San Francisco Open Cut.
4. Design plans for Jacques Gulch which will enable County Parks to begin moving forward with final design and removal of the calcine material.

### Budget Summary

| Task | Grant | County Time Match | Other Match | Total Cost |
|---|---|---|---|---|
| 1 - Project Management | $0 | 0 | $0 | $0 |
| 2 - QAPP Development | $0 | 0 | $0 | $0 |
| 3 - Design Development | $0 | 0 | $164,247 | $164,247 |
| 4 - Permitting/CEQA | $0 | 0 | $103,448 | $103,448 |
| 5 - Construction | $514,538 | 0 | $532,305 | $1,046,843 |
| 6 - Outreach | $420 | 0 | $0 | $420 |
| 7 - Jacques Gulch | $154,060 | 0 | $0 | $154,060 |
| 8 - Final Report | $0 | 0 | $0 | $0 |
| | $669,018 | $0 | $800,000 | $1,469,018 |

**Appendix A**

40CFR Part 31.36 – Procurement of Bids

§ 31.36 Procurement.
(a) *States.* When procuring property and services under a grant, a State will follow the same policies and procedures it uses for procurements from its non-Federal funds. The State will ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations. Other grantees and subgrantees will follow paragraphs (b) through (i) in this section.

(b) *Procurement standards.*
(1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law, the standards identified in this section, and if applicable, § 31.38.

(2) Grantees and subgrantees will maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders.

(3) Grantees and subgrantees will maintain a written code of standards of conduct governing the performance of their employees engaged in the award and administration of contracts. No employee, officer or agent of the grantee or subgrantee shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when: (i) The employee, officer or agent, (ii) Any member of his immediate family, (iii) His or her partner, or (iv) An organization which employs, or is about to employ, any of the above, has a financial or other interest in the firm selected for award. The grantee's or subgrantee's officers, employees or agents will neither solicit nor accept gratuities, favors or anything of monetary value from contractors, potential contractors, or parties to subagreements. Grantee and subgrantees may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law or regulations, such standards or conduct will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the grantee's and subgrantee's officers, employees, or agents, or by contractors or their agents. The awarding agency may in regulation provide additional prohibitions relative to real, apparent, or potential conflicts of interest.

(4) Grantee and subgrantee procedures will provide for a review of proposed procurements to avoid purchase of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus

purchase alternatives, and any other appropriate analysis to determine the most economical approach.

(5) To foster greater economy and efficiency, grantees and subgrantees are encouraged to enter into State and local intergovernmental agreements for procurement or use of common goods and services.

(6) Grantees and subgrantees are encouraged to use Federal excess and surplus property in lieu of purchasing new equipment and property whenever such use is feasible and reduces project costs.

(7) Grantees and subgrantees are encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering is a systematic and creative analysis of each contract item or task to ensure that its essential function is provided at the overall lower cost.

(8) Grantees and subgrantees will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

(9) Grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

(10) Grantees and subgrantees will use time and material type contracts only— (i) After a determination that no other contract is suitable, and (ii) If the contract includes a ceiling price that the contractor exceeds at its own risk.

(11) Grantees and subgrantees alone will be responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements. These issues include, but are not limited to source evaluation, protests, disputes, and claims. These standards do not relieve the grantee or subgrantee of any contractual responsibilities under its contracts. Federal agencies will not substitute their judgment for that of the grantee or subgrantee unless the matter is primarily a Federal concern. Violations of law will be referred to the local, State, or Federal authority having proper jurisdiction.

(12) Grantees and subgrantees will have protest procedures to handle and resolve disputes relating to their procurements and shall in all instances disclose information regarding the protest to the awarding agency. A protestor must exhaust all administrative remedies with the grantee and subgrantee before pursuing a protest with the Federal agency. Reviews of protests by the Federal agency will be limited to: (i) Violations of Federal law or regulations and the standards of this section (violations of

State or local law will be under the jurisdiction of State or local authorities) and (ii) Violations of the grantee's or subgrantee's protest procedures for failure to review a complaint or protest. Protests received by the Federal agency other than those specified above will be referred to the grantee or subgrantee.

(c) *Competition.*
(1) All procurement transactions will be conducted in a manner providing full and open competition consistent with the standards of § 31.36. Some of the situations considered to be restrictive of competition include but are not limited to: (i) Placing unreasonable requirements on firms in order for them to qualify to do business, (ii) Requiring unnecessary experience and excessive bonding, (iii) Noncompetitive pricing practices between firms or between affiliated companies, (iv) Noncompetitive awards to consultants that are on retainer contracts, (v) Organizational conflicts of interest, (vi) Specifying only a "brand name" product instead of allowing "an equal" product to be offered and describing the performance of other relevant requirements of the procurement, and (vii) Any arbitrary action in the procurement process.

(2) Grantees and subgrantees will conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-State or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts State licensing laws. When contracting for architectural and engineering (A/E) services, geographic location may be a selection criteria provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

(3) Grantees will have written selection procedures for procurement transactions. These procedures will ensure that all solicitations: (i) Incorporate a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. The description may include a statement of the qualitative nature of the material, product or service to be procured, and when necessary, shall set forth those minimum essential characteristics and standards to which it must conform if it is to satisfy its intended use. Detailed product specifications should be avoided if at all possible. When it is impractical or uneconomical to make a clear and accurate description of the technical requirements, a "brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement. The specific features of the named brand which must be met by offerors shall be clearly stated; and (ii) Identify all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals.

(4) Grantees and subgrantees will ensure that all prequalified lists of persons, firms, or products which are used in acquiring goods and services are current and include enough qualified sources to ensure maximum open and free competition. Also, grantees and subgrantees will not preclude potential bidders from qualifying during the solicitation period.

(5) Construction grants awarded under Title II of the Clean Water Act are subject to the following “Buy American” requirements in paragraphs (c)(5) (i)-(iii) of this section. Section 215 of the Clean Water Act requires that contractors give preference to the use of domestic material in the construction of EPA-funded treatment works.

(i) Contractors must use domestic construction materials in preference to nondomestic material if it is priced no more than 6 percent higher than the bid or offered price of the nondomestic material, including all costs of delivery to the construction site and any applicable duty, whether or not assessed. The grantee will normally base the computations on prices and costs in effect on the date of opening bids or proposals.

(ii) The award official may waive the Buy American provision based on factors the award official considers relevant, including: (A) Such use is not in the public interest; (B) The cost is unreasonable; (C) The Agency's available resources are not sufficient to implement the provision, subject to the Deputy Administrator's concurrence; (D) The articles, materials or supplies of the class or kind to be used or the articles, materials or supplies from which they are manufactured are not mined, produced or manufactured in the United States in sufficient and reasonably available commercial quantities or satisfactory quality for the particular project; or (E) Application of this provision is contrary to multilateral government procurement agreements, subject to the Deputy Administrator's concurrence.

(iii) All bidding documents, subagreements, and, if appropriate, requests for proposals must contain the following “Buy American” provision: In accordance with section 215 of the Clean Water Act (33 U.S.C. 1251 *et seq.*) and implementing EPA regulations, the contractor agrees that preference will be given to domestic construction materials by the contractor, subcontractors, materialmen and suppliers in the performance of this subagreement.

(d) *Methods of procurement to be followed—*
(1) *Procurement by small purchase procedures.* Small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the simplified acquisition threshold fixed at 41 U.S.C. 403(11) (currently set at $100,000). If small purchase procedures are used, price or rate quotations shall be obtained from an adequate number of qualified sources.

(2) Procurement by *sealed bids* (formal advertising). Bids are publicly solicited and a firm-fixed-price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in 31.36(d)(2)(i) apply.

(i) In order for sealed bidding to be feasible, the following conditions should be present: (A) A complete, adequate, and realistic specification or purchase description is available; (B) Two or more responsible bidders are willing and able to compete effectively and for the business; and (C) The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

(ii) If sealed bids are used, the following requirements apply: (A) The invitation for bids will be publicly advertised and bids shall be solicited from an adequate number of known suppliers, providing them sufficient time prior to the date set for opening the bids; (B) The invitation for bids, which will include any specifications and pertinent attachments, shall define the items or services in order for the bidder to properly respond; (C) All bids will be publicly opened at the time and place prescribed in the invitation for bids; (D) A firm fixed-price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs shall be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and (E) Any or all bids may be rejected if there is a sound documented reason.

(3) Procurement by *competitive proposals.* The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed-price or cost-reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

(i) Requests for proposals will be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals shall be honored to the maximum extent practical;

(ii) Proposals will be solicited from an adequate number of qualified sources;

(iii) Grantees and subgrantees will have a method for conducting technical evaluations of the proposals received and for selecting awardees;

(iv) Awards will be made to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and

(v) Grantees and subgrantees may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

(4) Procurement by *noncompetitive proposals* is procurement through solicitation of a proposal from only one source, or after solicitation of a number of sources, competition is determined inadequate.

(i) Procurement by noncompetitive proposals may be used only when the award of a contract is infeasible under small purchase procedures, sealed bids or competitive proposals and one of the following circumstances applies: (A) The item is available only from a single source; (B) The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation; (C) The awarding agency authorizes noncompetitive proposals; or (D) After solicitation of a number of sources, competition is determined inadequate.

(ii) Cost analysis, i.e., verifying the proposed cost data, the projections of the data, and the evaluation of the specific elements of costs and profits, is required.

(iii) Grantees and subgrantees may be required to submit the proposed procurement to the awarding agency for pre-award review in accordance with paragraph (g) of this section.

(e) [Reserved]

(f) *Contract cost and price.*
(1) Grantees and subgrantees must perform a cost or price analysis in connection with every procurement action including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, grantees must make independent estimates before receiving bids or proposals. A cost analysis must be performed when the offeror is required to submit the elements of his estimated cost, e.g., under professional, consulting, and architectural engineering services contracts. A cost analysis will be necessary when adequate price competition is lacking, and for sole source procurements, including contract modifications or change orders, unless price reasonableness can be established on the basis of a catalog or market price of a commercial product sold in substantial quantities to the general public or based on prices set by law or regulation. A price analysis will be used in all other instances to determine the reasonableness of the proposed contract price.

(2) Grantees and subgrantees will negotiate profit as a separate element of the price for each contract in which there is no price competition and in all cases where cost analysis is performed. To establish a fair and reasonable profit, consideration will be given to the complexity of the work to be performed, the risk borne by the contractor, the contractor's investment, the amount of subcontracting, the quality of its record of past performance, and industry profit rates in the surrounding geographical area for similar work.

(3) Costs or prices based on estimated costs for contracts under grants will be allowable only to the extent that costs incurred or cost estimates included in negotiated prices are consistent with Federal cost principles (see §31.22). Grantees may reference their own cost principles that comply with the applicable Federal cost principles.

(4) The cost plus a percentage of cost and percentage of construction cost methods of contracting shall not be used.

(g) *Awarding agency review.*

(1) Grantees and subgrantees must make available, upon request of the awarding agency, technical specifications on proposed procurements where the awarding agency believes such review is needed to ensure that the item and/or service specified is the one being proposed for purchase. This review generally will take place prior to the time the specification is incorporated into a solicitation document. However, if the grantee or subgrantee desires to have the review accomplished after a solicitation has been developed, the awarding agency may still review the specifications, with such review usually limited to the technical aspects of the proposed purchase.

(2) Grantees and subgrantees must on request make available for awarding agency pre-award review procurement documents, such as requests for proposals or invitations for bids, independent cost estimates, etc. when:

(i) A grantee's or subgrantee's procurement procedures or operation fails to comply with the procurement standards in this section; or

(ii) The procurement is expected to exceed the simplified acquisition threshold and is to be awarded without competition or only one bid or offer is received in response to a solicitation; or

(iii) The procurement, which is expected to exceed the simplified acquisition threshold, specifies a “brand name” product; or

(iv) The proposed award is more than the simplified acquisition threshold and is to be awarded to other than the apparent low bidder under a sealed bid procurement; or

(v) A proposed contract modification changes the scope of a contract or increases the contract amount by more than the simplified acquisition threshold.

(3) A grantee or subgrantee will be exempt from the pre-award review in paragraph (g)(2) of this section if the awarding agency determines that its procurement systems comply with the standards of this section.

(i) A grantee or subgrantee may request that its procurement system be reviewed by the awarding agency to determine whether its system meets these standards in order for its system to be certified. Generally, these reviews shall occur where there is a continuous high-dollar funding, and third-party contracts are awarded on a regular basis.

(ii) A grantee or subgrantee may self-certify its procurement system. Such self-certification shall not limit the awarding agency's right to survey the system. Under a self-certification procedure, awarding agencies may wish to rely on written assurances from the grantee or subgrantee that it is complying with these standards. A grantee or subgrantee will cite specific procedures, regulations, standards, etc., as being in compliance with these requirements and have its system available for review.

(h) *Bonding requirements.*
For construction or facility improvement contracts or subcontracts exceeding the simplified acquisition threshold, the awarding agency may accept the bonding policy and requirements of the grantee or subgrantee provided the awarding agency has made a determination that the awarding agency's interest is adequately protected. If such a determination has not been made, the minimum requirements shall be as follows:

(1) *A bid guarantee from each bidder equivalent to five percent of the bid price.* The “bid guarantee” shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.

(2) *A performance bond on the part of the contractor for 100 percent of the contract price.* A “performance bond” is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such contract.

(3) *A payment bond on the part of the contractor for 100 percent of the contract price.* A “payment bond” is one executed in connection with a contract to assure payment as required by law of all persons supplying labor and material in the execution of the work provided for in the contract.

(i) *Contract provisions.* A grantee's and subgrantee's contracts must contain provisions in paragraph (i) of this section. Federal agencies are permitted to require changes, remedies, changed conditions, access and records retention, suspension of work, and other clauses approved by the Office of Federal Procurement Policy.

(1) Administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate. (Contracts more than the simplified acquisition threshold)

(2) Termination for cause and for convenience by the grantee or subgrantee including the manner by which it will be effected and the basis for settlement. (All contracts in excess of $10,000)

(3) Compliance with Executive Order 11246 of September 24, 1965, entitled “Equal Employment Opportunity,” as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations (41 CFR chapter 60). (All construction contracts awarded in excess of $10,000 by grantees and their contractors or subgrantees)

(4) Compliance with the Copeland “Anti-Kickback” Act (18 U.S.C. 874) as supplemented in Department of
Labor regulations (29 CFR part 3). (All contracts and subgrants for construction or repair)

(5) Compliance with the Davis-Bacon Act (40 U.S.C. 276a to 276a-7) as supplemented by Department of Labor regulations (29 CFR part 5).

(Construction contracts in excess of $2000 awarded by grantees and subgrantees when required by Federal grant program legislation)

(6) Compliance with Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as supplemented by Department of Labor regulations (29 CFR part 5). (Construction contracts awarded by grantees and subgrantees in excess of $2000, and in excess of $2500 for other contracts which involve the employment of mechanics or laborers)

(7) Notice of awarding agency requirements and regulations pertaining to reporting.

(8) Notice of awarding agency requirements and regulations pertaining to patent rights with respect to any discovery or invention which arises or is developed in the course of or under such contract.

(9) Awarding agency requirements and regulations pertaining to copyrights and rights in data.

(10) Access by the grantee, the subgrantee, the Federal grantor agency, the Comptroller General of the United States, or any of their duly authorized representatives to any books, documents, papers, and records of the contractor which are directly pertinent to that specific contract for the purpose of making audit, examination, excerpts, and transcriptions.

(11) Retention of all required records for three years after grantees or subgrantees make final payments and all other pending matters are closed.

(12) Compliance with all applicable standards, orders, or requirements issued under section 306 of the Clean Air Act (42 U.S.C. 1857(h)), section 508 of the Clean Water Act (33 U.S.C. 1368), Executive Order 11738, and Environmental Protection Agency regulations (40 CFR part 15). (Contracts, subcontracts, and subgrants of amounts in excess of $100,000)

(13) Mandatory standards and policies relating to energy efficiency which are contained in the State energy conservation plan issued in compliance with the Energy Policy and Conservation Act (Pub. L. 94-163, 89 Stat. 871).

(j) *Payment to consultants.*

(1) EPA will limit its participation in the salary rate (excluding overhead) paid to individual consultants retained by grantees or by a grantee's contractors or subcontractors to the maximum daily rate for a GS-18. (Grantees may, however, pay consultants more than this amount). This limitation applies to consultation services of designated individuals with specialized skills who are paid at a daily or hourly rate. This rate does not include transportation and subsistence costs for travel performed; grantees will pay these in accordance with their normal travel reimbursement practices. (Pub. L. 99-591).

(2) Subagreements with firms for services which are awarded using the procurement requirements in this part are not affected by this limitation.

(k) *Use of the same architect or engineer during construction.*
(1) If the grantee is satisfied with the qualifications and performance of the architect or engineer who provided any or all of the facilities planning or design services for a waste-water treatment works project and wishes to retain that firm or individual during construction of the project, it may do so without further public notice and evaluation of qualifications, provided:

(i) The grantee received a facilities planning (Step 1) or design grant (Step 2), and selected the architect or engineer in accordance with EPA's procurement regulations in effect when EPA awarded the grant; or

(ii) The award official approves noncompetitive procurement under § 31.36(d)(4) for reasons other than simply using the same individual or firm that provided facilities planning or design services for the project; or

(iii) The grantee attests that: (A) The initial request for proposals clearly stated the possibility that the firm or individual selected could be awarded a subagreement for services during construction; and (B) The firm or individual was selected for facilities planning or design services in accordance with procedures specified in this section. (C) No employee, officer or agent of the grantee, any member of their immediate families, or their partners have financial or other interest in the firm selected for award; and (D) None of the grantee's officers, employees or agents solicited or accepted gratuities, favors or anything of monetary value from contractors or other parties to subagreements.

(2) However, if the grantee uses the procedures in paragraph (k)(1) of this section to retain an architect or engineer, any Step 3 subagreements between the architect or engineer and the grantee must meet all of the other procurement provisions in § 31.36, [53 FR 8068 and 8087, Mar. 11, 1988, and amended at 53 FR 8075, Mar. 11, 1988; 60 FR 19639, 19644, Apr. 19, 1995; 66 FR 3794, Jan. 16, 2001; 73 FR 15913, Mar. 26, 2008]

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **Approval of RHNA Transfer Request Related to Santa Rosa Annexation**

**Executive Summary**

Government Code Section 65584.07(d) stipulates the conditions under which a county may transfer a portion of the county's Regional Housing Need Allocation (RHNA) to a city if an annexation of unincorporated land occurs after the Council of Governments (COG) has made its final RHNA allocations. ABAG completed its final RHNA allocations on July 18, 2013.

On August 2, 2017, the Sonoma Local Agency Formation Commission (LAFCO) voted unanimously to approve the annexation of the Roseland area into the City of Santa Rosa. On October 18, 2017, the City of Santa Rosa and the County of Sonoma sent ABAG a request to transfer 421 units from the county's allocation to the city's allocation (*Attachment 1*).

It is important to note that, although the letter from the jurisdictions requested transfer of RHNA allocations ***and credits***, ABAG only has the authority to approve a transfer of RHNA allocations. Transfer of housing unit credits is the responsibility of the California Department of Housing and Community Development (HCD). ABAG/MTC staff has communicated this distinction to city and county staff.

The agreement between the County and the City specifies that the transfer will include units in the following RHNA income categories:

| | |
|---|---|
| Very Low Income* | 94 |
| Low Income | 90 |
| Moderate Income | 0 |
| Above Moderate Income | 237 |

** Includes 47 Extremely Low Income units.*

Staff has confirmed that the transfer request meets the following statutory requirements:

- The request was submitted to ABAG within 90 days after the date of annexation.
- A copy of the request was sent to HCD.
- The transfer agreement is mutually acceptable to the County and the City.

- None of the annexed land is subject to a development agreement that was entered into before January 1, 2008.
- The requested transfer neither reduces the region's total housing need nor changes the housing needs allocated to other cities in the 2015-2023 RHNA, is consistent with the methodology used in that cycle, and the land to be annexed was not fully incorporated into the methodology used to allocate the city's share of the regional housing needs (see below for more information).

Per the statute, if the city and county reach a mutually acceptable agreement for the transfer, the COG shall accept the transfer and make it effective within 180 days after receipt of the request. Action by the ABAG Executive Board on January 18, 2018 will make the transfer effective within this timeframe.

**Recommended Action**

The Executive Board is requested to approve the request from the City of Santa Rosa and the County of Sonoma for a transfer of the 2013 Regional Housing Needs Allocation associated with the Roseland Sphere of Influence.

Steve Heminger

**Attachments**

Transfer Request
RHNA Methodology

18 October 2017

Julie Pierce, President
Association of Bay Area Governments
Bay Area Metro Center
375 Beale Street, Suite 800
San Francisco, CA 94105

**RE: TRANSFER OF REGIONAL HOUSING NEEDS ALLOCATIONS AND CREDITS**

Dear President Pierce:

Pursuant to Government Code Section 65584.07(d), the City of Santa Rosa and County of Sonoma request a transfer of 421 Regional Housing Needs Assessment (RHNA) allocations and credits, as identified below, from the County of Sonoma to the City of Santa Rosa.

In 2013, the Santa Rosa City Council and the Sonoma County Board of Supervisors identified the annexation of unincorporated islands in southwest Santa Rosa as a priority to formally unify the area with the City. The annexation area, which includes five unincorporated County islands (see attached map), is known as the Roseland Area Annexation.

On December 20, 2016, the City Council and Board of Supervisors executed a Pre-Annexation Agreement (attached) to address cost sharing and other pertinent issues related to the Roseland Area Annexation, including the transfer of RHNA allocations and credits. The Agreement specifically identifies three housing projects within the annexation boundaries.

1. <u>Crossroads (all rentals):</u> 79 units total, 78 affordable (1 market manager's unit)
   - Extremely Low Income (30% of AMI) – 24 units
   - Very Low Income (40-50% of AMI) – 32 units
   - Low Income (60% of AMI) – 22 units

2. <u>Roseland Village (all rentals):</u> 175 units total, 74 affordable (1 manager's unit)
   - Market Rate – 101 units
   - Extremely Low Income (30% of AMI) – 23 units
   - Very Low Income (50% of AMI) – 12 units
   - Low Income (60% of AMI) – 39 units

3. Paseo Vista: 167 units total, 32 affordable
    - Market – 135 (ownership)
    - Extremely Low Income (30% of AMI) – 0
    - Very Low Income (50% of AMI) – 3
    - Low Income (80% of AMI) – 29

On August 2, 2017, the Sonoma Local Agency Formation Commission (LAFCO) voted unanimously to approve the annexation of the Roseland area into the City of Santa Rosa, conditioned upon the City and the County reaching agreement to transfer RHNA allocations and credits, by income category (see attached resolution).

Pursuant to the executed Pre-Annexation Agreement, the City and County agree on a requested transfer of RHNA allocations and credits as described herein.

If you have any questions, please contact Jessica Jones, Santa Rosa Planning and Economic Development Department Supervising Planner at 707-543-3410 or jjones@srcity.org or Jane Riley, Permit Sonoma Supervising Planner at (707) 565-7388 or jane.riley@sonoma-county.org.

SINCERELY,

CHRIS COURSEY
City of Santa Rosa Mayor

SHIRLEE ZANE
Sonoma County Board of Supervisors Chair

ATTACHMENTS:

- Roseland Area Annexation Map
- Pre-Annexation Agreement by and Between County of Sonoma and City of Santa Rosa, December 20, 2016
- Sonoma Local Agency Formation Commission Resolution, August 2, 2017

CC: Zachary Olmstead, Deputy Director
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California Department of Housing and Community Development
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Sean P. McGlynn
City Manager, City of Santa Rosa

David Guhin, PE
Planning and Economic Development Director, City of Santa Rosa

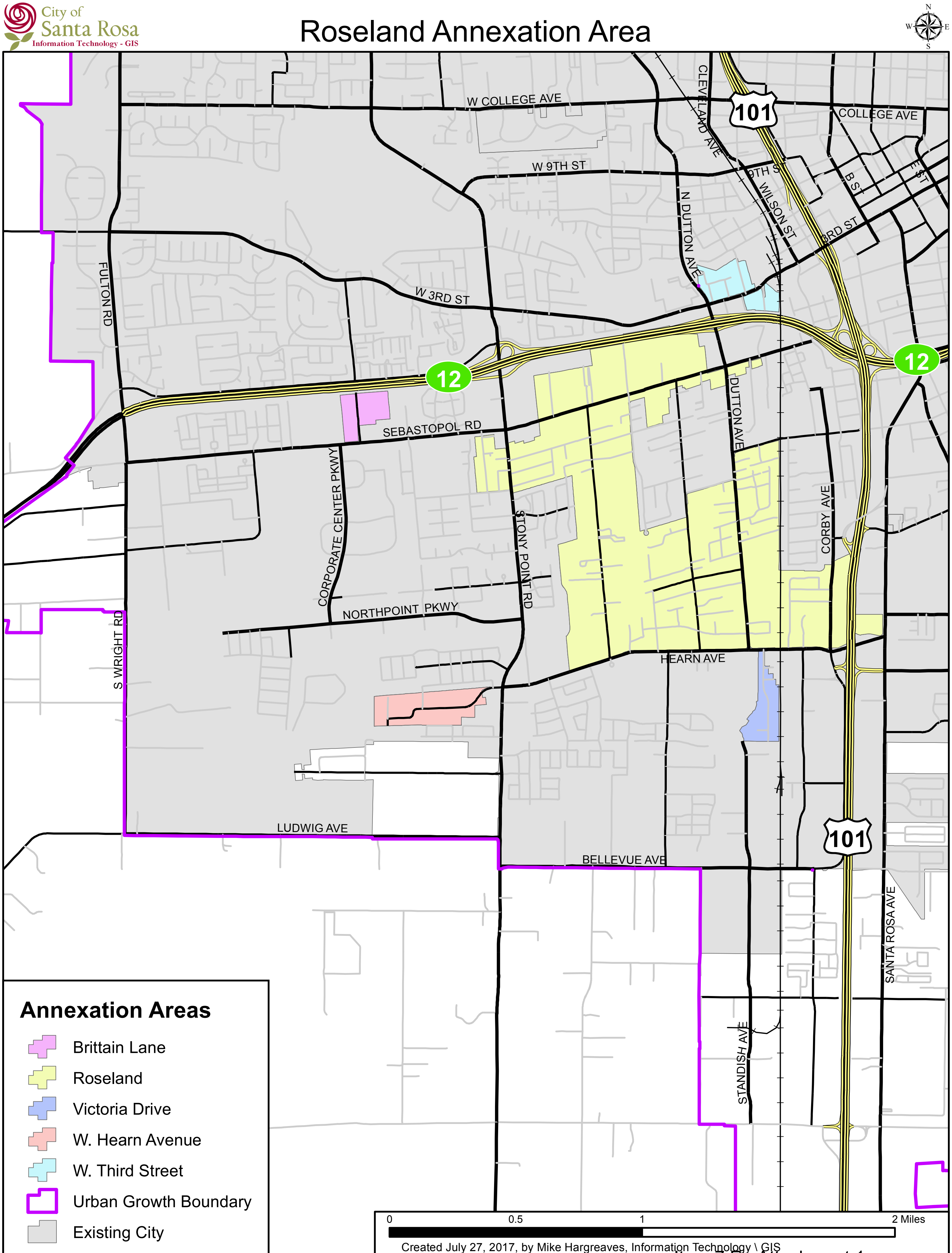
Sheryl Bratton
County Administrator, County of Sonoma

Tennis Wick, AICP
Director, Permit Sonoma

Jennifer Barrett, AICP
Deputy Director, Permit Sonoma

City of Santa Rosa
Information Technology - GIS

# Roseland Annexation Area




Item 7.E., Attachment 1

**PRE-ANNEXATION AGREEMENT BY AND BETWEEN COUNTY OF SONOMA AND CITY OF SANTA ROSA**

THIS PRE-ANNEXATION AGREEMENT ("Agreement"), is entered into by and among the COUNTY OF SONOMA ("County"), and the CITY OF SANTA ROSA ("City") (each may be referred to as a "Party" and collectively as the "Parties" herein).

Recitals

1. City and County both consider the annexation ("Annexation") of the Roseland Annexation Area ("Roseland Annexation Area") into the City to be a top priority.

2. The County's mission is to strengthen the resiliency of the Roseland Annexation Area and the immediately surrounding areas (the "Southwest Santa Rosa Community"), particularly including the facilitation of the annexation process of unincorporated islands. This will be accomplished by applying the values of equity and justice to services and infrastructure needed and provided.

3. The City adopted principles to guide the Annexation process as follows: (1) new residents will receive the same level of services as existing residents, and (2) existing service levels to current residents will not be reduced in order to provide services to the Roseland Annexation Area.

4. On October 23, 2014, City and County entered into a Memorandum of Understanding ("MOU") whereby the Parties agreed to establish a joint committee to discuss and develop a pre-annexation agreement addressing the cost sharing and other commitments necessary to successfully annex the Roseland Annexation Area.

5. As part of its commitment to strengthening the resiliency of the Southwest Santa Rosa Community, County has made significant contributions to this area including:

   (a) The Department of Health Services has provided the Southwest Santa Rosa Community with vital health and human services including direct health care services, nutrition education and physical activity programs, substance abuse prevention services, environmental health services, animal services, communicable disease control support and mental health services;

   (b) The Probation Department has invested considerable resources on upstream risk prevention and intervention at Southwest Santa Rosa high schools, has increased access to probation services to enable residents to comply with probation terms, and focused on increasing skill-building and pro-social activities in the community to contribute to increasing resiliency;

   (c) The Sheriff's Department has focused on youth gang intervention services in the Southwest Santa Rosa Community, which has helped to reduce gang violence;

(d) The Regional Parks Department has constructed substantial park infrastructure and invested in outdoor recreational services for the Southwest Santa Rosa Community including constructing and maintaining 7 miles of Class I bike trails between the Joe Rodota Trail and the Colgan Creek Trail, the Rodota to Hearn section of the SMART trail, and creating over 2 miles of multiuse pathway on the Laguna de Santa Rosa Trail. In addition, the County has purchased the Moorland area park and completed a Master Plan, with construction set to commence in Fall 2016;

(e) The Department of Transportation and Public Works has invested nearly $3 million to provide extensive road improvements to portions of the Southwest Santa Rosa road network including a large portion of Sebastopol Road, and to improve driver and pedestrian safety, focusing particularly on school areas;

(f) The Sonoma County Community Development Commission has invested considerable resources into affordable housing infrastructure and homeless services in the Southwest Santa Rosa Community.

6. In addition to the County's investments noted above, the Sonoma County Agricultural Preserve and Open Space District has and continues to assist City and County in purchasing and developing park lands and open space in the Southwest Santa Rosa Community through the District's Matching Grant program, including grants of $3.8 million for the Roseland Creek Community Park, $1.5 million for Bayer Farm, $3 million for Colgan Creek Park, $466,000 for Moorland Park, $500,000 for Roseland Village and $300,000 for the SMART Pathway.

7. The Parties have determined certain figures related to the financial effects of Annexation, including:

(a) Upon Annexation, the County estimates that County will experience decreased revenues of approximately $1.9 million annually from property tax, sales tax, franchise fees, and other revenues that will be transferred to City. Due to the size and nature of the islands and County services that will continue after Annexation, the County does not expect this loss to be fully offset by reduced costs;

(b) Upon Annexation, the City estimates that City will receive increased revenues of approximately $2.56 million annually from property tax, sales tax, utility user tax, franchise fees, and other revenues;

(c) Upon Annexation, the City estimates that City will incur $1.3 million in one-time costs to begin providing services to the Roseland Annexation Area;

(d) Upon Annexation, the City estimates that City's annual operational costs will increase by approximately $3.3 million to meet the needs of the residents of the Roseland Annexation Area.

(e) Upon Annexation, the City estimates that City would incur one-time capital expenses if it were to undertake desired improvements to the Roseland Annexation Area including $18.5 million in transportation related infrastructure for pavement, lighting and complete street improvements, and $13 million to improve, complete and make open to the public the Roseland Creek Community Park.

8. In order to facilitate the Annexation and provide the resources necessary for the City to provide essential services to the Roseland Annexation Area, County will share with City costs, revenues, the provision of services, and the building of infrastructure in the Roseland Annexation Area. Collaborating on grant applications, community engagement, service delivery, and infrastructure projects will be crucial to accomplishing the mission with the available resources.

9. Revenue and Taxation Code Section 99(d) allows for a city and county to adopt a master property tax transfer agreement to govern the adjustment in allocation of property taxes required to accompany any jurisdictional change pursuant to Revenue and Taxation Code Section 99.

10. City and County adopted such a master property tax transfer agreement as stated in the Sonoma County Board of Supervisors Resolution Establishing Procedures for Property Tax Exchanges Occasioned by City and Special District Annexations, Resolution No. 89-0270, dated February 7, 1989 ("Master Tax Exchange Agreement"), attached hereto as Exhibit A.

11. County recognizes that, due to special circumstances in the Roseland Annexation Area, the property tax share that City will receive under the Master Tax Exchange Agreement will be insufficient for City's ongoing provision of services in the Roseland Annexation Area. These special circumstances include, but are not limited to, the large size of the Roseland Annexation Area and the historic challenge of attracting private investment in the Roseland Annexation Area.

12. Rather than amend the Master Tax Exchange Agreement, which has governed city and special district annexations in Sonoma County since 1989 and which the Parties intend to remain effective, the Parties have agreed that County will annually pay City an amount equal to the amount the City would have received under an amendment to the Master Tax Exchange Agreement.

13. The purpose of this Agreement is to provide for cost-sharing among City and County to ensure the City has the capacity to provide the necessary services to the Roseland Annexation Area and to further ensure more efficient provision of municipal services to the Roseland Annexation Area upon Annexation. The Parties have determined that Annexation would benefit the City, County and the Roseland Annexation Area. Policies of the LAFCO, as defined below, favor the annexation of unincorporated areas so as to encourage the orderly and efficient provision of municipal services. Subject to receipt of the contributions and revenue sharing by the County as set forth in this Agreement, City has the capacity to provide all required municipal services to the Roseland Annexation Area. It is anticipated that the Annexation will also be of a long term economic benefit to City, including increased property and sales tax revenues.

14. City shall act as lead agency for the Roseland Annexation Area reorganization and shall be responsible for preparation of an environmental impact report under the California

Environmental Quality Act "CEQA"), and County recognizes that it will act as a responsible agency pursuant to CEQA.

Agreement

1. Definitions. For purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) "Annexation" means the annexation of the Roseland Annexation Area to the City of Santa Rosa, which will be effective as of the Effective Date.

(b) "ACTTC" means the Sonoma County Auditor-Controller Treasurer-Tax Collector.

(c) "Property Tax Assessed Values" means the taxable assessed values including homeowner's exemptions as presented in the State Board of Equalization Final Utility Roll and the County Assessor's Certified Roll.

(d) "City" means the City of Santa Rosa, California.

(e) "Council" or "City Council" means the Santa Rosa City Council.

(f) "County" means the County of Sonoma.

(g) "Effective Date" means the date of recordation of the LAFCO Executive Officer's Certificate of Completion for the Roseland Annexation Area reorganization.

(h) "LAFCO" means the Sonoma County Local Agency Formation Commission.

(i) "Proceeding" means any threatened, pending, or compiled claim, cause of action, civil liability, action, suit, arbitration, alternate dispute resolution process, investigation, administrative hearing, appeal or any other proceeding, whether civil, criminal, administrative, investigative or any other type whatsoever.

(j) "Roseland Annexation Area" means the approximately 714 acres of unincorporated area in southwest Santa Rosa known as Roseland and immediately surrounding areas. The legal description of the Roseland Annexation Area is set forth on Exhibit B, and a depiction of the Roseland Annexation Area is set forth on Exhibit C. Both Exhibits B and C will be attached to this Agreement once they are finalized through the LAFCO process. Attached as Exhibit D is a map representing the Roseland Annexation Area as agreed upon by the Parties.

(k) "Roseland Tax Code" means the Roseland Elementary School District Tax Code 31600, which currently represents 71% of the total Property Tax Assessed Value of the parcels in the Roseland Annexation Area, along with parcels already within the jurisdictional boundaries of the City of Santa Rosa.

2. Property and Sales Tax Exchange.

(a) Upon the Effective Date, the property taxes generated from the Roseland Annexation Area will be exchanged in the same proportions as set out in the Master Tax Exchange Agreement, including City receipt of the property tax share generated from the Roseland Annexation Area of the Roseland Fire Protection District, Rincon Valley Fire Protection District, CSA #41 Roseland Lighting, and CSA #41 Multiple Services.

(b) Upon the Effective Date, the local sales tax share generated from the Roseland Annexation Area will be split in the same proportions as set out in the Master Tax Exchange Agreement.

(c) In lieu of revising the Master Tax Exchange Agreement, County shall make an annual payment to City in an amount equal to $226,400, as annually adjusted, which payment shall continue in perpetuity subject to the provisions of this Agreement ("Revenue Sharing Payment"). This initial dollar figure is a baseline amount to be adjusted annually based on the percentage change in annual Property Tax Assessed Values in the Roseland Tax Code over the prior year beginning with the base year property tax represented on Exhibit E, attached hereto and made part of this Agreement.

(d) Each year on or before September 15th, County shall provide to City the Property Tax Assessed Values within the Roseland Tax Code as certified by the ACTTC, and City will utilize this information to calculate the percentage change as compared to the prior year's Property Tax Assessed Values in the Roseland Tax Code beginning with the base year property tax represented on Exhibit E, attached hereto and made part of this Agreement, and apply that number to the payment amount made in the immediately preceding fiscal year to determine the amount of the Revenue Sharing Payment due from County to City hereunder.

(e) County will issue the initial Revenue Sharing Payment to City within sixty (60) days of the Effective Date. Thereafter, City will invoice County in October each year for the Revenue Sharing Payment due based on the calculation hereunder. The ACTTC will provide a verification of the amount provided in the invoice within 10 business days of the invoice. The County shall distribute the Revenue Sharing Payment to City within fifty (50) days following ACTTC verification of the Revenue Sharing Payment.

(f) Either Party may notify the other Party in writing of its desire to amend this Section 2 of this Agreement, and provide a proposal for such amendment that is reasonably anticipated as closely as possible to result in the Revenue Sharing Payment amount being representative of the Parties' intent upon entering into this Agreement ("Notice"), if any of the following occur: (1) the AB 8 apportionment formula is amended, whether by legislative or judicial action, in such a way that would effect a material change to the amount of revenue received by City from the Roseland Annexation Area; (2) the ACTTC is no longer able to determine the Property Tax Assessed Values within the Roseland Tax Code; (3) the Roseland Tax Code no longer represents at least 60% of the total Property Tax Assessed Value of all the assessed parcels in the Roseland Annexation Area; or (4) either Party has completed a financial analysis of the Property Tax Assessed Values in the Roseland Tax Code as compared to the Property Tax

Assessed Values in the Roseland Annexation Area (but not more frequently than every ten years from the Effective Date) which demonstrates a more than ten percent discrepancy in the average annual change between areas.

(g) Within 30 days of Notice, County and City staff shall meet and confer in good faith in a reasonable attempt to amend this Agreement to resolve the noticed issue. Where the issue involves the Roseland Tax Code, the Parties will agree upon a new tax code(s) or tax rate areas or a combination of both that represents no less than 60% of the total Property Tax Assessed Value of the parcels in the Roseland Annexation Area to be used in determining the percentage change in Property Tax Assessed Values over the prior fiscal year beginning with the base fiscal year as determined in Exhibit E. Multiple meetings may be reasonably required under the meet and confer process, provided that the meet and confer process shall be completed within six months of Notice, unless extended in writing by the Parties. If the Parties are unable to resolve the issue through the meet and confer process within six months of Notice, or as agreed upon by the Parties in writing, the Parties agree to retain an agreed-upon neutral mediator and participate in at least five hours of mediation to resolve the issue. The Parties will use best efforts to resolve this issue through mediation and will share equally in the costs of the mediation. Should the issue not be resolved through mediation, then either Party may file an action for declaratory relief in Sonoma County Superior Court. Should a payment become due under this Agreement after Notice but before an amended Agreement is executed, County shall provide the City with a payment equal to the amount provided in the prior year.

3. One-Time Costs. To share in the City's estimated $1.3 million start-up cost of Annexation, County will provide funding in the amount of $790,000 within 60 days of the Effective Date.

4. Annual Costs.

(a) To share in the City's estimated $3.3 million annual operating cost of Annexation, County will provide funding to City in the amount of $500,000 per year for ten years, to be adjusted annually as provided for in Section 4(b) ("Cost Sharing Payment").

(b) After the first year's Cost Sharing Payment of $500,000, the amount of the Cost Sharing Payment will be adjusted annually to reflect changes in City operating costs attributable the Roseland Annexation Area as well as any changes in specific revenue streams actually received by City, as more specifically set forth in Exhibit E. The Cost Sharing Payment as adjusted each year shall be the baseline for adjustments in each following year. The Cost Sharing Payment may increase or decrease in any given year depending upon changes in City's revenues and costs, but in no event will the Cost Sharing Payment exceed $500,000 in any given year.

(c) The first year's payment will occur within 60 days of the Effective Date. For the remaining nine years, City shall submit an invoice to County for the annual payment in October of each year along with its calculation and documentation for determining the amount of the Cost Sharing Payment, and County shall pay said amount within sixty (60) after receipt of said invoice.

5. Transportation Infrastructure.

(a) To share in the City's estimated $18.5 million transportation infrastructure cost of Annexation, County will provide funding in the amount of $6.62 million, provided in equal annual installments of $662,000 over a 10-year period ("Transportation Payment"), to cover the estimated cost of pavement improvement projects in the Roseland Annexation Area, which projects may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades. City will be responsible for selection and completion of the projects in a timely manner.

(b) The first year's payment will occur within 60 days of the Effective Date, but not earlier than July 1, 2017, and each subsequent Transportation Payment shall be issued to City no later than sixty (60) days after July 1st of each of the following nine years until the total $6.62 Million Dollars is paid to City in full.

(c) On or before October 15th of each year in which City receives a Transportation Payment, City shall submit to County a report of the expenditures made with the funds provided under this Section or the planned projects with budget and planned schedule. This report is intended for County verification that these funds are spent solely for pavement improvement related projects within the Roseland Annexation Area, which projects may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades.

(d) In order to address the possibility that City may seek financial contribution from residents within the Roseland Annexation Area for the infrastructure improvements identified in this Section that might supplant anticipated contributions from City, during the 10 year period following the Effective Date, either party may notify the other Party in writing ("Infrastructure Financing Notice") of its desire to reopen negotiations about the amount of the Transportation Payment provided for in this Section if a financing district -- including but not limited to an assessment district, community facilities district, infrastructure financing district, or enhanced infrastructure financing district but excluding any district formed in connection with any subdivision approval or other new development -- is created for the purpose of financing pavement improvements, which may include asphalt paved walkways on the shoulders to enhance pedestrian connectivity and required ADA upgrades, if at least 50% of the geographic area of the financing district is within the Roseland Annexation Area. There shall be no right to reopen negotiations under this subsection if there is a documented need for pavement improvements in the Roseland Annexation Area that is at least 30% above the Transportation Payments amount provided for in this Section. The Party providing Infrastructure Financing Notice shall also provide a proposal for such amendment that is reasonably anticipated as closely as possible to result in the Transportation Payment amount being representative of the Parties' intent upon entering this Agreement. Within 30 days of Infrastructure Financing Notice, County and City staff shall meet and confer in good faith in a reasonable attempt to determine whether or not any amendment to the Agreement is warranted based on the above stated purpose of this subsection. Multiple meetings may be reasonably required under the meet and confer process, provided that the meet and confer process shall be completed within six months of Infrastructure Financing Notice, unless extended in writing by mutual agreement of the Parties. If the Parties are unable to resolve the issue through the meet and confer process within six months of Infrastructure Financing Notice, or as otherwise agreed upon by the Parties in writing, the Parties agree to retain an agreed-upon neutral mediator and participate in at least five hours of mediation to resolve the issue. The Parties will use best efforts to resolve this issue through mediation and will share equally in the costs of the mediation. Should a payment become due under this Agreement after Infrastructure Financing Notice but before an amended Agreement is executed, County shall provide the City with a payment equal to the amount provided in the prior year. If after mediation, the Parties are unable to agree to amend the Transportation Payment amount as provided for in this section, the Transportation Payment amount shall remain unchanged.

6. Affordable Housing. County will transfer Regional Housing Needs Assessment (RHNA) credits to City for the Crossroads, Roseland MarketPlace, and Paseo Vista Projects as follows:

(a) Crossroads: 80 affordable units (rental);

(b) Roseland Village Neighborhood Center: 70 affordable units (rental) and 100 market rate units (rental);

(c) Paseo Vista: 31 affordable units (rental) and 135 market rate units (for sale).

7. Continued County Investments. County will continue to make the following investments in the Southwest Santa Rosa Community subsequent to Annexation:

(a) The County will continue to invest in Southwest Santa Rosa Community health and human services, including direct health care services, nutrition education and physical activity programs, substance abuse prevention services, environmental health services, animal services, communicable disease control support and mental health services.

(b) The County's Economic Development Board will continue to invest in the provision of assistance services in the Southwest Santa Rosa Community directed toward encouraging the startup, retention and expansion of local businesses and jobs, the creation of new jobs and employment opportunities, and the diversification of economic activity in the area.

(c) The County will continue to invest in homeless services to serve the needs of the Southwest Santa Rosa Community through supporting affordable housing, emergency shelters, protective services, and the expansion of outreach programs.

(d) The County shall complete scheduled pavement improvements to Corby and Dutton Avenues not later than December 2021.

(e) The County will work cooperatively with the City in locating matching funds to fulfill a grant from the Sonoma County Agricultural and Open Space District towards acquisition of the remaining parcel necessary to complete the Roseland Creek Community Park.

8. South Park Sanitation District. Notwithstanding the Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa, dated June 26, 2012 between the South Park County Sanitation District ("Sanitation District") and City, the Parties acknowledge that the Sanitation District and City continue to discuss the disposition of the Sanitation District and that the Annexation will have no impact on the current operations, management, or disposition of the Sanitation District. The Parties further agree that nothing in this Agreement shall be construed to terminate, supersede, void or in any way affect the continued enforceability of that certain Agreement Regarding Dissolution of South Park County Sanitation District and Investigation and Cleanup of HVOC Plume in Roseland Area made and entered into by and between the Parties as of June 27, 2000.

9. Housing Authority. The Santa Rosa Housing Authority and the Sonoma County Housing Authority have entered into two separate agreements, the Memorandum of Understanding Between Santa Rosa Housing Authority and Sonoma County Housing Authority Regarding Administration of Section 8 Project Based Vouchers for Crossroads Apartments within the Roseland Annexation Area, dated July 15, 2016, and the Memorandum of Understanding Between Santa Rosa Housing Authority and Sonoma County Housing Authority Regarding Administration of Section 8 Vouchers for Households Residing in Properties within the Roseland Annexation Area, dated July 15, 2016, governing the transition of administration authority and responsibility for the U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher Program rental housing assistance to households residing in properties that are located in the Roseland Annexation Area. The City and County agree that the transition of vouchers shall be administered as set forth in those agreements.

10. Records; transfer of assets. The County and City shall use their best efforts to transfer property documents promptly so as to minimize delays in development of projects. Records shall be transferred electronically to the greatest extent possible. The City and County further agree to work cooperatively to determine and document, as appropriate, the transfer of any assets from the County to the City upon Annexation. The Parties hereby agree that the Joe Rodota Trail will remain a County asset and will continue to be maintained by the County.

11. Liability for Existing Conditions within the Roseland Annexation Area. Except where liability is already governed by an existing agreement between the Parties, for the 10 year period following the Effective Date, the County shall continue to be liable for and shall defend, indemnify and hold harmless, City and its officers, agents, employees and volunteers from any and all actions, claims, lawsuits, administrative proceedings, arbitrations proceedings, regulatory proceedings, damages, disabilities, liabilities and expenses, including but not limited to all costs of litigation incurred in the defense of claims as to which this indemnity applies, whether arising from personal injury, regulatory noncompliance, property damage or economic loss of any type that may be asserted by any person or entity including the County, its officers, agents, employees or volunteers, solely arising out of or in connection with hazardous materials, contamination, design flaws or dangerous conditions, to the extent the action, claim, lawsuit, administrative proceeding, arbitration proceeding, regulatory proceeding, damage, injury, regulatory noncompliance, property damage, economic loss, disability, liability or expense is based on (1) hazardous materials and/or contamination that existed within the Roseland Annexation Area as of the Effective Date but only to the extent

that prior to the Effective Date, County had actual or constructive knowledge of and a duty to remediate the same, (2) a design flaw that existed within the Roseland Annexation Area as of the Effective Date so long as the same remains unaltered or modified by City, or (3) a dangerous condition of public property that existed within the Roseland Annexation Area as of the Effective Date but only to the extent that prior to the Effective Date, County had actual or constructive knowledge of the dangerous condition and a reasonable period of time to maintain, remediate or repair the same. For purposes of this provision, County will not be deemed to have actual or constructive knowledge of any hazardous materials, contamination or dangerous condition based in part or whole on any information City provided to County from November 10, 2016 through the Effective Date unless a third party provided that information to City.

12. Roseland Annexation Area Identity.

(a) City and County will use their best efforts to maintain the identity of the Roseland Annexation Area.

(b) City will not change any current Roseland Annexation Area street names and addresses except as necessary for public safety purposes.

13. Enforceability

a) Default. Subject to Section 13(b), failure by any party to perform any term or provision of this Agreement required to be performed by such party shall constitute an event of default ("Event of Default"). For purposes of this Agreement, a party claiming another party is in default shall be referred to as the "Complaining Party," and the party alleged to be in default shall be referred to as the "Party in Default." A Complaining Party shall not exercise any of its remedies as the result of such Event of Default unless such Complaining Party first gives notice to the Party in Default as provided in Section 13(b), and the Party in Default fails to cure such Event of Default within the applicable cure period.

b) Procedure Regarding Defaults.

i. Notice Required. The Complaining Party shall give written notice of default to the Party in Default, specifying the default complained of by the Complaining Party. Delay in giving such notice shall not constitute a waiver of any default nor shall it change the time of default.

ii. Right to Cure. The Party in Default shall diligently endeavor to cure, correct or remedy the matter complained of, provided such cure, correction or remedy shall be completed within the applicable time period set forth herein after receipt of written notice (or such additional time as may be deemed by the Complaining Party to be reasonably necessary to correct the matter).

iii. Delay not a Waiver. Any failures or delays by a Complaining Party in asserting any of its rights and remedies as to any Event of Default shall not operate as a waiver of any Event of Default or of any such rights or remedies. Delays by a Complaining Party in asserting any of its rights and remedies shall not deprive the Complaining Party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert, or enforce any such rights or remedies.

iv. Time to Cure. If an Event of Default occurs, prior to exercising any remedies, the Complaining Party shall give the Party in Default written notice of such Event of Default in accordance with Section 13(d) below. If the Default is reasonably capable of being cured within thirty (30) days of the Party in Default's receipt of such written notice, the Party in Default shall have such period to effect a cure prior to exercise of remedies by the Complaining Party. If the nature of the alleged Default is such that it cannot practicably be cured within such 30 day period, the cure shall be deemed to have occurred within such 30 day period if (i) the cure is commenced at the earliest practicable date following receipt of the notice; (ii) the cure is diligently pursued to completion at all times thereafter; (iii) at the earliest practicable date (in no event later than 30 days after the Party in Default's receipt of the notice), the Party in Default provides written notice to the Complaining Party that the cure cannot practicably be completed within such 30 day period; and (iv) the cure is completed at the earliest practicable date. In no event shall the Complaining Party be precluded from exercising remedies if a Default is not cured within one hundred eighty (180) days after the first notice of default is given.

v. Termination of Agreement. If a Party in Default fails to cure an Event of Default in accordance with the foregoing, the Complaining Party, at its option, may terminate this Agreement, and/or institute legal proceedings pursuant to this Agreement.

c) Institution of Legal Action. Subject to notice of default and opportunity to cure provided above, in addition to any other rights or remedies, either Party may institute legal action to cure, correct or remedy any default, to enforce any covenants or agreements herein, to enjoin any threatened or attempted violation hereof, or to obtain any other remedies consistent with this Agreement.

14. Local Debt Limit. Should a court determine that the payments under Sections 2(c), 4(a), and/or 5(a) constitute County-issued debt made in violation of California Constitution Article XVI, Section 18, then the Parties agree that such payments are made in satisfaction of their obligations under Revenue and Taxation Code Section 99. The payments will remain as annual lump sum payments made separately from the ACTTC's AB 8 allocation process.

15. LAFCO Conditions of Annexation. The Parties will jointly request that LAFCO include the payments required under Section 2(c), 4(a), and 5(a) as conditions of annexation.

16. Notices. All notices or other communications required hereunder shall be in writing and shall be personally delivered (including by means of professional messenger service), or sent by registered or certified mail, postage prepaid, return receipt required, or by electronic facsimile transmission followed by delivery of a "hard" copy, and shall be deemed received on the date

of receipt thereof. Unless otherwise indicated in writing, such notice shall be sent addressed as follows:

**If to the City:**

City Manager
City of Santa Rosa 100 Santa Rosa Ave
Santa Rosa, California 95404

With a copy to:

City Attorney
City of Santa Rosa 100 Santa Rosa Ave
Santa Rosa, California 95404

**If to the County of Sonoma**:

County of Sonoma County Administrator 575 Administration Dr. Suite 104A
Santa Rosa, Ca 95403

With a copy to: County Counsel
575 Administration Dr. Room 105A
Santa Rosa, Ca 95403

17. No Third Party Beneficiaries. This Agreement is made and entered into for the sole protection and benefit of the Parties and their successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.

18. Time of Essence. Time is of the essence for each provision of this Agreement of which time is an element.

19. Modification, Amendment or Extension. Subject to any notice and hearing requirements imposed by law, this Agreement may be modified, amended and/or extended from time to time by mutual written consent of the City and County.

20. Conflict with State or Federal Laws. Except as provided in Section 2(f) and 2(g), in the event that state or federal laws or regulations enacted after this Agreement has been entered into prevent or preclude compliance with one or more provisions of this Agreement, (a) the party prevented from performance shall provide the other party with written notice of such state or federal restriction and a statement of the conflict with the provisions of this Agreement, and (b) County and the City staff shall, within thirty (30) days, meet and confer in good faith in a reasonable attempt to modify this Agreement, but only to the minimum extent necessary to comply with such federal or state law or regulation.

21. Indemnity. Except as otherwise expressly set forth in this Agreement, each Party shall indemnify, defend, protect, hold harmless, and release the other, its officers, agents, and

employees, from and against any and all claims, loss, Proceedings, damages, causes of action, liability, costs, or expense (including attorneys' fees and witness costs) arising from or in connection with, or caused by any act, omission, or negligence of such indemnifying party or its agents, employees, contractors, subcontractors, or invitees in performance of this Agreement. This indemnification obligation shall not be limited in any way by any limitation on the amount or type of damages or compensation payable to or for the indemnifying party under workers' compensation acts, disability benefit acts, or other employee benefit acts.

22. Waiver. No waiver of any provision of this Agreement shall be effective unless in writing and signed by a duly authorized representative of the party against whom enforcement of a waiver is sought and referring expressly to this Section. No waiver of any right or remedy in respect of any occurrence or event shall be deemed a waiver of any right or remedy in respect of any other occurrence or event.

23. Successors and Assigns. Except as expressly provided to the contrary in this Agreement, the burdens and obligations of this Agreement shall be binding upon, and the benefits of this Agreement shall inure to, all successors in interest to the parties to this Agreement and all successors in interest to the Roseland Annexation Area or any portion thereof or any interest therein, and shall be covenants running with the land.

24. Governing State Law. This Agreement shall be construed in accordance with the laws of the State of California.

25. Covenant of Good Faith and Fair Dealing. No Party shall do anything which shall have the effect of harming or injuring the right of the other Party to receive the benefits of this Agreement.

26. Further Assurances. The Parties to this Agreement shall cooperate with and provide reasonable assistance to the other Parties to the extent contemplated in the performance of all obligations under this Agreement and the satisfaction of the conditions of the Agreement.

27. Section Headings. All Article and Section headings and subheadings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

28. Enforced Delay (Force Majeure).

(a) Force Majeure Defined. In addition to specific provisions of this Agreement, performance by any party hereunder shall not be deemed to be in default where delays or defaults are due to war, insurrection, strikes, walkouts, riots, floods, earthquakes, fires, casualties, acts of God, enactment of conflicting state or federal laws or regulations (but only if the party claiming delay complies at all times with the provisions of this Agreement pertaining to such conflicting laws), litigation brought by any third party (not a party to this Agreement), or similar bases for excused performance due to causes beyond the control of and without the fault of the party claiming an extension of time to perform.

(b) Notice Requirement. An extension of time for any such cause (a "Force Majeure Delay") shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if notice by the party claiming such extension is sent to the other parties within thirty (30) days of knowledge of the commencement of the cause. Notwithstanding the foregoing, none of the foregoing events shall constitute a Force Majeure Delay unless and until the party claiming such delay and interference delivers to the other party written notice describing the event, its cause, when and how such party obtained knowledge, the date the event commenced, and the estimated delay resulting therefrom. Any party claiming a Force Majeure Delay shall deliver such written notice within thirty (30) days after it obtains actual knowledge of the event. Times of performance under this Agreement may also be extended in writing by the City.

29. Severability. Invalidation of any of the provisions contained in this Agreement, or of the application thereof to any person, by judgment or court order, shall in no way affect any of the other provisions hereof or the application thereof to any other person or circumstance, and the same shall remain in full force and effect, unless enforcement of this Agreement, as so invalidated, would be unreasonable or inequitable under all the circumstances or would frustrate the purposes of this Agreement and/or the rights and obligations of the parties hereto.

30. Interpretation. The language in all parts of this Agreement shall in all cases be construed simply, as a whole and in accordance with its fair meaning and not strictly for or against any party. The parties hereto acknowledge and agree that this Agreement has been prepared jointly by the parties and has been the subject of arm's length and careful negotiation over a considerable period of time, that each party has independently reviewed this Agreement with legal counsel, and that each party has the requisite experience and sophistication to understand, interpret and agree to the particular language of the provisions hereof. Accordingly, in the event of an ambiguity in or dispute regarding the interpretation of this Agreement, this Agreement shall not be interpreted or construed against the party preparing it, and instead other rules of interpretation and construction shall be utilized.

31. Counterparts. This Agreement may be executed in duplicate counterpart originals, each of which is deemed to be an original and all of which when taken together shall constitute one and the same instrument.

32. Entire Agreement. This Agreement consists of (21) pages and exhibits (designated "A" through "E"), which constitute the entire understanding and agreement of the parties.

IN WITNESS WHEREOF, the parties have each executed this Agreement on December 20th, 2016.

COUNTY OF SONOMA, a municipal corporation of the State of California

Chair, Board of Supervisors ATTEST:

Clerk of the Board of Supervisors

CITY OF SANTA ROSA, a municipal corporation of the State of California

Mayor

City Clerk

APPROVED AS TO FORM:

County Counsel

APPROVED AS TO FORM:

City Attorney

Attachments:

Exhibit A – Master Tax Exchange Agreement
Exhibit B – Legal Description of the Roseland Annexation Area
Exhibit C – Depiction of the Roseland Annexation Area
Exhibit D – Map of the Roseland Annexation Area
Exhibit E – Cost Sharing Payment Adjustments

EXHIBIT A



Resolution No. 89-0270

Administration Building
Santa Rosa, California 95403

Date 2-7-89

RESOLUTION OF THE COUNTY OF SONOMA,
STATE OF CALIFORNIA, ESTABLISHING PROCEDURES
FOR PROPERTY TAX EXCHANGES OCCASIONED BY CITY AND
SPECIAL DISTRICT ANNEXATIONS

WHEREAS, Assembly Bill No. 8 of the 1979 Legislative Session was enacted into law by Chapter 282, Stats. 1979, said legislation including Chapter 6 of Part 0.5 "Implementation of Article XIIIA of the California Constitution" in the Revenue and Taxation Code of the State of California; and

WHEREAS, Section 99 of said Chapter 6, Part 0.5, requires that negotiations be accomplished for property tax exchanges on the occasion of city or special district annexations, designated in such legislation as "jurisdictional changes"; and

WHEREAS, the County of Sonoma and the eight cities in Sonoma County have previously adopted blanket agreements for property tax exchanges occasioned by city annexations in order to facilitate orderly and expeditious jurisdictional changes; and

WHEREAS, the cities and County executed an agreement in 1984 regarding distribution of sales tax within cities' incorporated territory; and

WHEREAS, the cities and County have negotiated pursuant to that agreement and have not changed the present sales tax distribution; and

WHEREAS, the Sonoma County Board of Supervisors and the City Councils of the eight cities in the County wish to amend said agreement for property tax exchanges.

NOW, THEREFORE, BE IT RESOLVED by the Board of Supervisors of the County of Sonoma to apply the following procedures in property tax exchanges occasioned by city and special district annexations:

a. Annexations which involve no transfer of service responsibilities from one jurisdiction to another will not, unless otherwise stipulated by the Board of Supervisors, require an exchange of property tax revenues.

b. Agencies will receive no apportionment of property tax revenues from areas entirely detached from the agencies unless otherwise stipulated by the Board of Supervisors.

c. In the case of city annexations, the following formula will be applied except as might be amended by Sections d or e below:

1. Within the annexed area the County will receive a percentage share equal to the highest percentage share within any tax code area of the city, except as provided in paragraph 2 below.

2. The city will receive a percentage share equal to the sum of shares of special districts from which the area would be detached, and which have service responsibilities that would be transferred to the city, plus the difference between the County share in the annexed area and the highest percentage share received by the County within any tax code area of the city plus such additional share from the County General Fund as required to increase the city share to 75% of the highest city share within the city.

d. If the County percentage share in the annexed area prior to any exchange is less than the highest County percentage share in any tax code area within the city, then the County share in the annexed area will remain unchanged unless the county share is reduced by the provisions of paragraph c.2. above. The purpose of this section is to prohibit an increase in the percentage share received by the County in any annexed area as a result of this tax exchange agreement.

e. The Board of Supervisors or the City Council of any annexing city may call for a separate and different tax exchange agreement for any annexation. If a separate agreement is called for by the Board of Supervisors or a City Council, then written notification of such determination shall be given to the other affected agency prior to completion of proceedings on the annexation by the Local Agency Formation Commission.

BE IT FURTHER RESOLVED that this agreement for property tax exchanges shall apply for all city and special district annexations after February 7, 1989.

BE IT FURTHER RESOLVED that this resolution shall become effective only when and if the Board of Supervisors and all City Councils of the eight cities in the County pass resolutions agreeing to the same procedure for tax exchanges contained in this resolution.

SUPERVISORS:

HARBERSON aye SMITH aye ESPOSTI aye CARPENTER aye NICHOLAS absent

AYES 4 NOES ____ ABSTAIN ____ ABSENT 1

SO ORDERED.

EXHIBIT B
(to be added upon annexation)

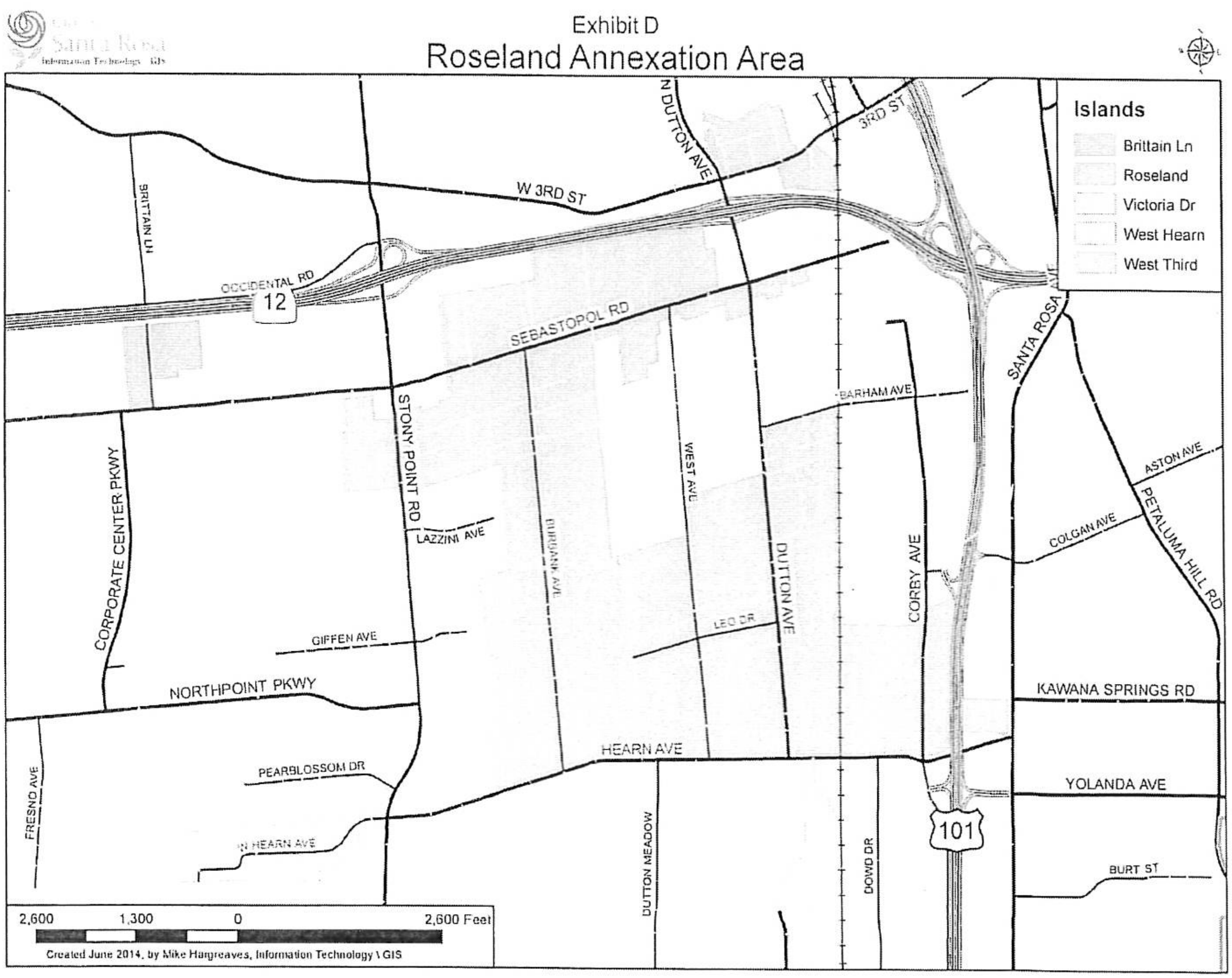
"Legal Description of the Roseland Annexation Area"

EXHIBIT C
(to be added upon annexation)

"Depiction of the Roseland Annexation Area"

Exhibit D

# Roseland Annexation Area



## Exhibit E

1. For purposes of Section 2, the initial Revenue Sharing Payment amount shall be $226,400. The first year thereafter, the Revenue Sharing Payment amount shall be adjusted based on the annual change in the Property Tax Assessed Value for the Roseland Tax Code from Fiscal Year 2016-17 compared to the then current fiscal year, which shall be provided to City by County on or before September 15th and this change shall be applied to the $226,400 to determine the second year Revenue Sharing Payment Amount. Each year thereafter, the annual change to the Revenue Sharing Payment shall be determined based on the immediately prior year's Property Tax Assessed Value within the Roseland Tax Code as compared to the then current fiscal year's Property Tax Assessed Value, as provided by the County on or before each September 15th, subject to any revisions as set forth in Section 2(e) and (f) of this Agreement.

2. For purposes of Section 4(b), City's annual revenue changes will be determined based on revenue in the following categories, as herein described. The City will apply the percentage change from the base year revenue amount to determine the change in revenue for each of the following revenue sources. The base year revenue amounts are as follows:

| **Revenue Source** | **Base Year Revenue FY 2015-16** |
|---|---:|
| Property Tax | $209,329 |
| Sales Tax | $533,689 |
| Prop 172 Sales Tax | $47,495 |
| Utility Users Tax | $368,350 |
| Franchise Fees | $304,428 |
| Fines and Forfeitures | $68,165 |

A. Property tax revenue: Property tax revenue change will be determined by adjusting the base year property tax revenue amount as shown above. The initial change will be determined by comparing the Property Tax Assessed Value for the Roseland Tax Code Area from FY 2015-16, which is $755,957,662, to the Property Tax Assessed Value for the Roseland Tax Code Area for the then current fiscal year. County shall provide City with the Property Tax Assessed Value for the Roseland Tax Code Area for each year subsequent to FY 2015-16 on or before each September 15th of each year. Each year thereafter, the annual change shall be determined based on the immediately prior year's Property Tax Assessed Value within the Roseland Tax Code Area as compared to the then current fiscal year's Property Tax Assessed Value, as provided by the County on or before each September 15th, subject to any revisions as set forth in Section 2(e) and (f) of this Agreement.

B. Sales tax revenue: After City and County agree upon the methodology to be used by City's sales tax auditor through County's verification of City's sales tax auditor's figures in the first year for which the change is calculated, City's sales tax auditor will use the agreed upon methodology to determine the actual annual sales tax revenue derived within the Roseland Annexation Area each year. The change in revenue will be determined based on the changes in revenue by comparing the Base Year Revenue to the then current fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year. In the first year for which change is calculated, County shall provide to City the sales tax revenue number from the Roseland Annexation Area for fiscal year 2016-17 and any subsequent fiscal years until the State Board of Equalization accepts the City's sales tax auditor's non-disclosure agreement for the annexed area.

C. Proposition 172 sales tax revenue: City will determine actual annual change in Proposition 172 sales tax revenue citywide each year commencing with the change in the Proposition 172 sales tax revenue for fiscal year 2015-16 as compared to the Proposition 172 sales tax revenue in the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
D. Utility user tax revenue: City will determine actual annual change in utility user tax revenue citywide each year commencing with the change in the utility user tax revenue for fiscal year 2015-16 as compared to the utility user tax revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
E. Franchise fee revenue: The City's revenues from gas, electric and cable franchise fees citywide will be utilized to calculate any change in Franchise Fee revenue. City will determine actual annual change in franchise fee revenue each year commencing with the change in the franchise fee revenue for fiscal year 2015-16 as compared to the franchise fee revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.
F. Fines and forfeiture revenue: City will determine the actual annual change in fines and forfeiture revenue citywide each year commencing with the change in the fines and forfeiture revenue for fiscal year 2015-16 as compared to the fines and forfeiture revenue for the following fiscal year and continuing with an annual comparison of each of the following fiscal years to the immediately prior fiscal year.

The change in revenue amounts in each of the above categories shall be used to adjust the Cost Sharing Payment amount. Increases in revenue shall be deducted from the Cost Sharing Payment amount, and decreases in revenue, if any, shall be added to the Cost Sharing Payment amount in order to determine the new Cost Sharing Payment amount each year after the initial year amount of $500,000.

Additionally, the City will determine its annual change in operating costs attributable to the Roseland Annexation Area based on the percentage change in the City's budgeted salary and benefits costs each fiscal year, excepting the costs for any new positions. The City will apply the percentage change in the budgeted salary and benefits each fiscal year commencing with 2016-17 to the base cost amount of $3,292,363 and the resulting amount will be used to further adjust the Cost Sharing Payment. For example, a four percent increase in the budget salary and benefits costs shall result in a positive adjustment of $131,694.52 to the prior year Cost Sharing Payment amount.

These figures assume that Annexation will occur in Fiscal Year 2016-17. Should Annexation occur in a future fiscal year, all amounts will be updated based on the methodology outlined in this Exhibit and applied at such time as City invoices County for the second year Cost Sharing Payment. In no event shall the initial Cost Sharing Payment amount be less than $500,000, and in no event shall the Cost Sharing Payment amount be greater than $500,000 in any given year.

**Resolution No. 2676**

575 Administration Drive, Room 104A
Santa Rosa, CA 95403

**August 2, 2017**

**Resolution of the Local Agency Formation Commission of the County of Sonoma, State of California, Making Findings of Fact as a Responsible Agency, Adopting a Statement of Overriding Considerations, Approving a Reorganization Designated as Southwest Santa Rosa Reorganization No. 17-01 (Roseland Area) Involving Annexation to the City of Santa Rosa and Detachment from Rincon Valley Fire Protection District, County Service Area No. 40 (Fire Services), and County Service Area No. 41 (Multi-Services), and Ordering Protest Proceedings for the Proposal (File No. 17-02)**

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**RESOLVED,** that the Local Agency Formation Commission of the County of Sonoma ("the Commission") hereby finds as follows:

## 1. Proposal and Procedural History

1.1 The City of Santa Rosa ("the City") submitted a resolution of application ("the Resolution of Application") with the Executive Officer of the Commission ("the Executive Officer") pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Gov. Code §56000 et seq.) ("the Cortese-Knox-Hertzberg Act") initiating proceedings for a reorganization involving annexation to the City and detachment from the Rincon Valley Fire Protection District, Roseland Fire Protection District, County Service Area No. 40 (Fire Services), and County Service Area No. 41 (Multi-Services) ("the Proposal").

1.2 The Proposal consists of territory generally located west of U.S. Highway 101, south of Ninth Street, east of Wright Road, and north of Robles Avenue, in the southwest Santa Rosa area and generally referred to as the Brittain Lane island totaling +/-16 acres, the Roseland island totaling +/-620 acres, the Victoria Drive island totaling +/-19 acres, the West Hearn island totaling +/-34 acres, and the West Third island totaling +/-23 acres ("the Affected Territory"), as shown and described in Exhibit "A" to this resolution, attached hereto and incorporated herein by this reference. The Resolution of Application was accompanied by the Santa Rosa Roseland Area/Sebastopol Road Specific Plan providing services within the Affected Territory ("the Specific Plan").

1.3 The City, acting as lead agency under the California Environmental Quality Act ("CEQA"), prepared and certified the Final Environmental Impact Report for the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation Projects ("the Final EIR") as the environmental document for the Proposal. Based on the City's action, the Executive Officer determined that the Commission would comply with CEQA by acting as a responsible agency for the Proposal.

1.4 The Executive Officer set the Proposal for hearing and provided notice thereof as provided in the Cortese-Knox-Hertzberg Act.

1.5 The Executive Officer prepared a report analyzing the Proposal ("the Executive Officer's Report"). The Executive Officer recommended approval of the Proposal with the exception of the detachment of the Affected Territory from the Roseland Fire Protection District and the South Park County Sanitation District (together "the Districts"), in that detachment of the Affected Territory would leave other territory remaining within the Districts causing operational difficulties and impacts on residents that could be better alleviated in subsequent actions.

1.6 The Executive Officer furnished copies of the Executive Officer's Report to all persons entitled to copies under the Cortese-Knox-Hertzberg Act.

1.7 The Commission conducted a duly noticed public hearing on the Proposal on August 2, 2017. At the hearing, the Commission heard and received all relevant oral and written testimony and evidence presented or filed regarding the Proposal and considered the Executive Officer's Report and the environmental effects of the Proposal as shown in the Final EIR. All interested persons were given the opportunity to hear and be heard. At the conclusion of public testimony, the Commission closed the public hearing, discussed the Proposal and the environmental effects thereof as shown in the Final EIR, and determined to certify review and consideration of the information contained in the Final EIR, adopt a statement of overriding considerations, and approve the Proposal as conditioned and limited herein.

1.8 The Commission has had an opportunity to review this resolution and hereby finds that it accurately sets forth the intentions of the Commission regarding the Final EIR and the Proposal.

**2. CEQA Compliance**

2.1 The Commission finds that the City is the lead agency and that the Commission is a responsible agency for the Proposal under CEQA.

2.2 The City certified the Final EIR in Santa Rosa City Council Resolution No. 28874, which is incorporated by reference herein.

2.3 The Commission has reviewed and considered the environmental effects of the Proposal, as shown in the Final EIR, prior to reaching its decision herein. The Commission has reached its own independent conclusions on whether and under what conditions to approve the Proposal. The Commission has reviewed and considered the sphere of influence for the City established by the Commission ("the City's Sphere of Influence"), the urban service area boundary for the City in the Sonoma County General

Plan ("the County's Urban Service Area Boundary for the City"), the General Plan for the City ("the City's General Plan"), and the urban growth boundary for the City enacted by the voters of the City ("the City's Urban Growth Boundary"). The Commission has also reviewed and considered the following resolutions and ordinances of the City prior to reaching its decision herein:

(a) Santa Rosa City Council Resolution No. 28873, dated October 18, 2016, Certifying the Final Environmental Report for the Roseland Area/Sebastopol Road Specific Plan, Roseland Area Annexation and Associated General Plan, Zoning Code and Bicycle and Pedestrian Master Plan Amendments, and Rezoning and Pre-zoning of Parcels within the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation Boundaries – File Number ST13-003 and ST14-001;

(b) Santa Rosa City Council Resolution No. 28874, dated October 18, 2016, Adopting the Roseland Area/Sebastopol Road Specific Plan and Approving a General Plan Amendment Consistent with the Specific Plan and Making Findings with Regard to Significant Impacts Identified in the Environmental Impact Report for the Roseland Area/Sebastopol Road Specific Plan and General Plan Amendment – File No. ST 14-001;

(c) Santa Rosa City Council Ordinance No. 4076, dated October 25, 2016, Amending Title 20 of the Santa Rosa City Code – Pre-zoning 1,606 Properties Located within the Boundaries of the Roseland Area/Sebastopol Road Specific Plan – File Number ST 13-003;

(d) Santa Rosa City Council Resolution No.28886, dated November 29, 2016, approving the Roseland Area Pre-Annexation Agreement with the County of Sonoma, and Adopting a Resolution of Application to the Sonoma County Local Agency Formation Commission (LAFCO) for Reorganization of Property Located in Southwest Santa Rosa in Sonoma County, CA;

(e) Santa Rosa City Council Ordinance No. 2017-002, Amending Title 20 of the Santa Rosa City Code – Pre-zoning 49 Properties Located Within the West Hearn Avenue County Island – File Number ST13-003; and

(f) First Amendment to Pre-Annexation Agreement By and Between County of Sonoma and City of Santa Rosa, dated June 6, 2017

2.4 The Commission, as a responsible agency, has responsibility for mitigating or avoiding only the direct or indirect environmental effects of those parts of a project that it decides to carry out, finance, or approve. The Commission finds that, with respect to its decision herein, the Commission has jurisdiction only over the proposed reorganization of the Affected Territory. This decision to reorganize places the Affected Territory under the jurisdiction of the City, which as lead agency and as agency with police power to regulate land use, has the power to implement most of the feasible alternatives or mitigation measures to mitigate or avoid the potentially significant environmental effects of the Proposal. The Commission further finds that there are no feasible mitigation measures or alternatives within the Commission's power that would substantially lessen or avoid any of the Proposal's significant environmental effects.

2.5 The Commission has considered alternatives and mitigation measures to reduce or avoid the significant environmental effects of the Proposal. The Commission concurs with and relies upon the City's findings in Santa Rosa City Council Resolution No. 28874 regarding the potentially significant environmental effects of the Proposal. The Commission finds that those conclusions have not been affected by any subsequent events. The Commission finds that, as identified in Resolution 28874, certain changes or alterations that would avoid or substantially lessen the significant environmental effects identified in the Final EIR are within the police power and responsibility of the City and that the City can and should adopt such measures. The Commission finds that the City, through adoption of its Mitigation Monitoring and Reporting Program and through adoption of various conditions of approval, provisions of the resolutions and ordinances listed above as well as other resolutions and ordinances of the City, has taken responsibility for and is implementing all feasible mitigation measures within its jurisdiction and control. The Commission concurs with the City's conclusions regarding the jurisdiction and control of other agencies to implement the remaining mitigation measures.

2.6 The Commission rejects as infeasible the no project alternative ("the No Project Alternative"), which would allow future development subject to existing policies, regulations, and land-use designations associated with the City's General Plan 2035. The No Project Alternative would provide no significant environmental advantage over the Proposal and not meet the City's objectives for the Roseland Area/Sebastopol Road Specific Plan and Roseland Area Annexation Projects ("the Project"), which are identified in the executive summary of the Draft Environmental Impact Report. The No Project Alternative also is infeasible because it would contravene the Commission's prior decisions to place the Affected Territory within the City's Sphere of Influence and would be contrary to the Commission's duties arising from Government Code sections 56001 and 56377, subdivision (b), and its policy goal, to ensure that growth is orderly, discourage urban sprawl, preserve open space and prime agricultural lands, and extend government services efficiently. The Commission finds that growth within the City's Sphere of Influence, the County's Urban Service Area Boundary for the City, and the City's Urban Growth Boundary achieves these goals, while denying reorganization within these areas would encourage leapfrog development and urban sprawl in contravention of these goals.

2.7 The Commission rejects as infeasible the reduced development alternative ("the Reduced Development Alternative") that is intended to eliminate the impact on freeway operations on US 101 North between Todd Road and State Route 12, a significant impact. The Reduced Development Alternative assumes a reduction in the development intensity in the Project area to one-third of that proposed by the Project and, while it was found to be the environmentally superior alternative, the Project would not meet the densities related to transit-supportive land uses in the Specific Plan. In addition, the inability to accommodate planned growth in this area of the City may induce growth in other areas and result in similar impacts elsewhere in the City or region. The Reduced

Development Alternative is less desirable in that it does not meet the City's objectives and would not provide the benefits at the same level as the Proposal. It would also contravene the Commission's prior decisions and policy goals as set forth in the Section 2.6 of this resolution.

2.8 The Commission finds that the interests and policy goals of the Commission outweigh the significant and unavoidable impacts of the Proposal. The Commission further finds that the Proposal will have the following benefits, each of which independently and alternatively outweighs and makes acceptable the adverse environmental effects of the Proposal:

(a) The Proposal will create a more logical City boundary and provide more effective delivery of municipal services by allowing unification of the community in a single jurisdiction instead of in multiple jurisdictions.

(b) The Proposal will guide development toward land uses that increase the connectivity among housing, jobs, and transportation options, enhancing livability, and balance the preservation of existing uses and development of new uses while maintaining the community's cultural diversity.

(c) The Proposal will promote economic vitality for the area.

(d) The Proposal will eliminate five longstanding, unincorporated islands of territory surrounded by the City, so as to unify these areas with the City and support more efficient and effective provision of municipal services.

2.9 The Commission finds that reorganization of the Affected Territory is consistent with and furthers implementation of the goals and policies of the Commission and outweighs the significant and unavoidable impacts of the Proposal.

2.10 The Commission finds that declining to detach the Affected Territory from the Roseland Fire Protection District and South Park County Sanitation District at this time will not result in any new or greater significant environmental impacts than were analyzed in the Final EIR.

**3. Cortese-Knox-Hertzberg Act Compliance**

3.1 The Commission has reviewed and considered the information contained in the ordinances and resolutions of the City prior to reaching its decision on the Proposal.

3.2 The Commission finds that the Affected Territory is within the City's Sphere of Influence and the County's Urban Service Area Boundary for the City. The Commission therefore finds that the Proposal is consistent with the City's Sphere of Influence and the Sonoma County General Plan.

3.3 The Commission finds that the Affected Territory is within the City's Urban Growth Boundary and is contiguous to the City's current jurisdictional boundary. The Affected Territory has been pre-zoned by the City to be consistent with the land-use designations of its General Plan. The City indicates that it has capacity within its systems to provide needed services.

3.4 The Commission finds that the purpose of the Proposal is to promote the efficient and effective provision of public services in a single jurisdiction by eliminating islands of unincorporated territory surrounded by the City; allow development at densities consistent with the land-use designations in the City's General Plan; and permit access to City services. [

3.5 The Commission finds that the Specific Plan implements the goals in the City's General Plan for planned, orderly, and efficient patterns of urban development within the Affected Territory.

3.6 With regard to maintaining the Affected Territory as part of the Roseland Fire Protection District ("RFPD") upon annexation of the Affected Territory to the City, the Commission finds that initiation of proceedings by the City or RFPD for a reorganization consisting of dissolution of the RFPD and establishment of a subsidiary district of the City, within one year of the effective date of the annexation, will promote effective and efficient provision of service for the Affected Territory as well as for properties within the RFPD but outside the City.

3.7 With regard to maintaining the Affected Territory as part of the South Park County Sanitation District ("South Park") upon annexation of the Affected Territory to the City, the Commission finds that approval by the City and the Sonoma County Water Agency of an amendment to "The Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa" to address rate restructuring, transfer of operations to the City, and a new governance structure, prior to the recordation of the subject reorganization, will support the transition of responsibility for South Park to the City.

3.8 The Commission finds that the Affected Territory is "inhabited," in that more than 12 registered voters reside within it. Since neither owners of property within the Affected Territory nor registered voters residing within the Affected Territory have provided their written consent to the Proposal, the Commission determines that it may approve, approve with conditions, or disapprove the Proposal only after notice and hearing pursuant to Government Code section 56663. The Commission further finds that the Proposal does not qualify for a waiver of protest proceedings and orders the initiation of protest proceedings, pursuant to Government Code section 57000.

3.9 Based on the foregoing findings, the Commission finds that the Proposal is consistent with the intent of the Cortese-Knox-Hertzberg Act and the purposes of the Commission, as expressed in Government Code sections 56001 and 56301, and that approval of the Proposal is appropriate, subject to the conditions and limitations set forth below.

## 4. Evidence in the Record

4.1 The findings set forth in Sections 1 through 3 of this resolution are based upon the entire record before the Commission. References to specific reports or documents in a finding are not intended to identify those sources as the exclusive bases for the finding. Headings are inserted for convenience only, and the location of a finding under a specific heading is not intended to limit the role of that finding to that particular heading.

**NOW, THEREFORE**, based on the foregoing findings and the record of these proceedings, the Commission hereby declares and orders as follows:

1. The foregoing findings are true and correct, are supported by substantial evidence in the record, and are adopted as hereinabove set forth.

2. The Commission certifies that it has reviewed and considered the information contained in the Final EIR and has considered the environmental effects of the Proposal as shown therein.

3. The Commission adopts a statement of overriding considerations as set forth in Section 2.7 of this resolution.

4. The Proposal is approved, subject to the following conditions:

(a) Pursuant to the request of the City and the County of Sonoma ("the County") in Section 15 of the Pre-Annexation Agreement By and Between the County of Sonoma and the City of Santa Rosa ("the Pre-Annexation Agreement"), dated December 20, 2016, in reference to Section 2: Property and Sales Tax Exchange, sub-section (c), the County shall make an annual payment to the City in an amount equal to $226,400, as annually adjusted, which payment shall continue in perpetuity subject to the provisions of the Pre-Annexation Agreement.

(b) Pursuant to the request of the City and the County in Section 15 of the Pre-Annexation Agreement, dated December 20, 2016, in reference to Section 4: Annual Costs, sub-section (a), the County will provide funding to the City in the amount of $500,000 per year for ten years, to be adjusted annually as provide in the Pre-Annexation Agreement.

(c) Pursuant to the request of the City and the County in Section 15 of the Pre-Annexation Agreement, dated December 20, 2016, in reference to Section 5: Transportation Infrastructure, sub-section (a), the County will provide to the City funding in the amount of $6.62 million, provided in equal installments of $662,000 over a 10-year period.

(d) The Affected Territory shall not be detached from the Roseland Fire Protection District as part of the subject reorganization. Within one year of the effective date of the annexation of the Affected Territory to the City of Santa Rosa, the City or the Roseland Fire Protection District shall initiate proceedings with the Commission for a reorganization consisting of dissolution of the Roseland Fire Protection District and establishment of a subsidiary district of the City.

(e) The Affected Territory shall not be detached from the South Park County Sanitation District as part of the subject reorganization. Prior to the recordation of the subject reorganization, the City of Santa Rosa and the Sonoma County Water Agency shall approve an amendment to "The Amended and Restated Agreement Regarding South Park County Sanitation District Operations and Transfer to the City of Santa Rosa" to address rate restructuring, transfer of operations to the City, and a new governance structure.

(f) All existing County easements and rights-of-way within the five islands included in the Roseland Area reorganization proposal shall transfer to the City of Santa Rosa, including all road easements, roads held in fee, all right-of-way easements, private rights of access for utilities, storm drain, etc., but excluding (1) the Joe Rodota Trail, which should continue to be held and maintained by the County of Sonoma; and (2) any creeks, streams, waterways and storm drain structures currently maintained by the Sonoma County Water Agency, whether in fee or by maintenance agreement. The City reserves the right to have the Sonoma County Water Agency (SCWA) accept parcels or easements within the affected territory currently held by the County that meet the SCWA flood control design criteria pursuant to SCWA Resolution No. DR 10073-1.

5. Regarding Regional Housing Needs Assessment (RHNA) allocations and transfer of obligation from the County to the City upon annexation of the Affected Territory,

(a) The City of Santa Rosa (City) and County of Sonoma (County) shall endeavor to reach a mutually acceptable transfer agreement with respect to RHNA obligation, by income category, and RHNA credit pursuant to Government Code section 65584.07. When such agreement has been reached, the City shall transmit it to the Association of Bay Area Governments (ABAG) and, upon acceptance by ABAG, to the State Department of Housing and Community Development (HCD). If no mutually acceptable agreement has been reached within 90 days of the effective date of the annexation, the County shall request that ABAG allocate the RHNA obligation between the jurisdictions pursuant to Government Code section 65594.07(d)(2)(A) and shall request that HCD transfer RHNA credit to the City as set forth in the Pre-Annexation Agreement between the City and County for the Roseland Area annexation, dated December 20, 2016.

6. The boundaries of the Affected Territory shall be as shown and described in Exhibit "A" to this resolution, attached hereto and incorporated herein by this reference.

7. The Proposal is assigned the following short-form designation: Southwest Santa Rosa Reorganization No. 17-01 (Roseland Area).

8. The regular County assessment roll shall be utilized for the Proposal.

9. The Affected Territory shall not be taxed for existing bonded indebtedness and contractual obligations.

10. The property tax transfer to the City shall be in accordance with the Master Property Tax Exchange Agreement supplemented by transfers and payments agreed upon in the Pre-Annexation Agreement by and between the County of Sonoma and the City of Santa Rosa, dated December 20, 2016.

11. The Commission orders the initiation of protest proceedings, pursuant to Government Code section 57000.

12. The effective date of the reorganization shall be the date of the recordation of the certificate of completion.

13. The Executive Officer is authorized and directed to file a notice of determination in accordance with the provisions of CEQA and the State CEQA Guidelines. The Executive Officer is further authorized and directed to mail certified copies of this resolution in the manner provided by law.

14. If a certificate of completion for the Proposal has not been filed within one year after the adoption of this resolution, the Proposal shall be deemed abandoned unless prior to expiration of the one-year time period the Commission authorizes an extension of time for completion of the Proposal.

15. The Clerk of the Commission is designated as the custodian of the documents and other materials that constitute the record of the proceedings upon which the Commission's decision herein is based. These documents may be found at the office of the Clerk of the Commission, 575 Administration Drive, Room 117B, Santa Rosa, CA, 95403.

**THE FOREGOING RESOLUTION** was introduced at a regular meeting of the Commission on the 2nd day of August 2017 and ordered adopted by the following vote:

**COMMISSIONERS:**

Approved as recommended

| | | |
|---|---|---|
| Ayes: | 7 | Holmer, Loveless, Gorin, Kapolchok, Stafford, Hopkins and Barrett |
| Noes: | 0 | |
| Abstain: | 0 | |

**WHEREUPON,** the Chair declared the foregoing resolution adopted and

**SO ORDERED.**

ATTEST:

Carole L. Cooper for
Mark Bramfitt, Executive Officer

The within instrument is a true and correct copy of the original on file in this office.

ATTEST:

BY:
Cynthia O
Cynthia Olson, Clerk

ASSOCIATION OF BAY AREA GOVERNMENTS
Representing City and County Governments of the San Francisco Bay Area

ABAG

# MEMO

Date: November 21, 2011

To: Planning Directors

From: Ken Kirkey, ABAG Planning Director

Subject: Spheres of Influence in Regional Housing Needs Allocation (RHNA) Methodology

**Regional Housing Need Allocation (RHNA) Background**

RHNA is a state mandate that requires each community to plan for its share of the state's housing need, for people at all income levels. The California Department of Housing and Community Development (HCD) determines the total housing need for each region in the state and, as the Council of Governments for the San Francisco Bay Area, it is ABAG's responsibility to distribute this need to local governments.[1]

With passage of SB 375, ABAG and MTC must identify areas within the region sufficient to house an eight-year projection of the regional housing need for all income groups. Additionally, the housing allocation plan must allocate housing units within the region consistent with the development pattern included in the Sustainable Communities Strategy (SCS).

Since January 2011, ABAG and MTC staff has been working with the SCS Housing Methodology Committee—which is made up of staff and elected officials from all nine counties as well as stakeholder groups—to develop the framework for the RHNA methodology. The committee's discussions have focused primarily on how best to promote consistency between RHNA and the development pattern of the SCS, while ensuring that the allocation of housing need also meets the specific objectives of Housing Element law, including that every jurisdiction accommodate its fair share of the region's housing need.

**Spheres of Influence**

Every city in the Bay Area has a "Sphere of Influence" (SOI), which can be either contiguous with or go beyond the city's boundary. The SOI boundary is designated by the county's Local Area Formation Commission (LAFCO). The LAFCO influences how government responsibilities are divided among jurisdictions and service districts within a county. The SOI is considered the probable future boundary of a city and a city is responsible for planning areas within its SOI.

The RHNA methodology must include rules for allocating the housing need for a jurisdiction's SOI if there is projected growth in the area, and most SOI areas within the Bay Area are anticipated to experience growth. **For the 2014-2022 RHNA, staff is proposing to use the same approach regarding SOI that was included in the 2007-2014 RHNA, unless ABAG receives a resolution from a county and all the cities in that county requesting a change to the rules outlined below:**

1. In Napa, San Mateo, Santa Clara, Solano, and Sonoma counties, the allocation of housing need generated by the unincorporated SOI was assigned to the cities.
2. In Alameda and Contra Costa counties, the allocation of housing need generated by the unincorporated SOI was assigned to the county.
3. In Marin County, 50 percent of the allocation of housing need generated by the unincorporated SOI was assigned to the city; and 50 percent was assigned to the county.

[1] *The total housing need for the region, the Regional Housing Need Determination, will be provided to ABAG by HCD in November 2011.*

These rules are based on the premise that each local jurisdiction with land use permitting authority over its SOI should plan for the housing need generated within that area. These reflect the fact that each county in the Bay Area is different in terms of whether a city or county has jurisdiction over land use and development within unincorporated SOIs.

These rules reflect the general approaches to SOIs, and agreement between the jurisdictions in each county. Adjustments may be needed to better reflect local conditions. To allow flexibility, the methodology included the following criteria:

1. Adjustments to SOI allocations shall be consistent with any pre-existing written agreement between the city and county that allocates such units, or
2. In the absence of a written agreement, the requested adjustment would allocate the units to the jurisdiction that has permitting authority over future development in the SOI.

**Staff is requesting that local jurisdictions provide resolutions requesting a change to the SOI rules by December 31, 2011.** The specific rule for the SOI in each county will then be adopted by the Executive Board as part of the draft RHNA methodology.

Resolutions can be sent to Gillian Adams, ABAG Regional Planner, at GillianA@abag.ca.gov or P.O. Box 2050, Oakland, CA 94604-2050.

Please direct any questions about this process to Gillian at 510-464-7911 or GillianA@abag.ca.gov.

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **Notification of Personnel Employment Changes**

**Executive Summary**

Pursuant to the Contract for Services (CS), the ABAG Executive Board is to be notified of any changes in employment status for Transitioned Employees 30 days before any action is taken as outlined in section 6.3 of the CS below.

> 6.3 Changes in Employment Status
>
> During the first fiscal year after the Effective Date, prior to making any employment change (including but not limited to termination, reassignment, or promotion) with respect to any Transitioned Employee, MTC will provide the ABAG Executive Board with 30 days prior written notice of the intended change before any action is taken. No Transitioned Employee may be terminated, reassigned, or promoted during such period without prior written notice to the ABAG Executive Board and the affected LCP, if applicable.

The ABAG PLAN and SHARP insurance programs were outsourced to third party consultants as of January 1, 2018. These two ABAG local government service programs are no longer supported by our consolidated staff. The five MTC employees who worked on the PLAN and SHARP programs have been reassigned to new positions.

- Kim Chase, Section Administrator, Administration and Facilities Services
- Gertruda Luermann, Program Coordinator, Risk Management, Administration and Facilities Services
- Roslyn Morris-Singh, Technology Business Manager, Technology Services
- John Saelee, Funding Technician, Fund Management and Program Delivery, Programming and Allocations
- Jill Stallman, Program Coordinator, FasTrak, Electronic Payments

**Recommended Action**

This is an information item.  Pursuant to the Contract for Services, the Executive Board is formally notified of personnel employment changes.

Steve Heminger

Association of Bay Area Governments

METROPOLITAN TRANSPORTATION COMMISSION

Bay Area Metro Center
375 Beale Street
San Francisco, CA 94105

# Meeting Agenda

# Joint MTC Legislation Committee and ABAG Legislation Committee

**Friday, January 12, 2018** | **9:30 AM** | **Board Room - 1st Floor**

This meeting is scheduled to be webcast live on the Metropolitan Transportation Commission's Web site: http://mtc.ca.gov/whats-happening/meetings and will take place at 9:30 a.m.

## 1. Roll Call / Confirm Quorum

*Quorum: A quorum of the ABAG Legislation Committee shall be a majority of its regular voting members (4).*
*Quorum: A quorum of the MTC Legislation Committee shall be a majority of its regular voting members (4).*

## 2. Pledge of Allegiance

## 3. ABAG Compensation Announcement - Clerk of the Board

## 4. ABAG Legislation Committee Consent Calendar

**4a.** 17-2995 — Approval of ABAG Legislation Committee Summary Minutes of November 3, 2017 Meeting

***Action:*** ABAG Legislation Committee Approval

***Attachments:*** 4a_ABAG LEG Minutes_Nov 3 2017.pdf

## 5. ABAG Legislation Committee Items

**5a.** 17-3071 — ABAG Election of Committee Chair and Vice Chair for 2018 and Designation of Term of Office

***Action:*** ABAG Legislation Committee Approval

***Presenter:*** Steve Heminger

## 6. MTC Compensation Announcement - Committee Secretary

## 7. MTC Legislation Committee Consent Calendar

**7a.** 17-3072 Approval of MTC Legislation Committee Minutes of December 8, 2017 Meeting

***Action:*** MTC Legislation Committee Approval

***Attachments:*** 7a_MTC LEG Minutes_Dec 8 2017.pdf

## 8. Approval

**8a.** 17-2997 2018 Final MTC / ABAG Joint Advocacy Program

Recommended state and federal legislative priorities for 2018.

***Action:*** MTC Commission and ABAG Executive Board Approval

***Presenter:*** Randy Rentschler

***Attachments:*** 8a_2018 Final Joint Advocacy Program.pdf

## 9. Information

**9a.** 17-3073 Legislative History

***Action:*** Information

***Presenter:*** Rebecca Long

***Attachments:*** 9a_Jan_LegisHistory_State and Federal.pdf

## 10. Federal Legislation

**10a.** 17-3082 Update on Federal Tax Bill

Update on federal tax legislation.

***Action:*** Information

***Presenter:*** Rebecca Long

***Attachments:*** 10a_Federal Tax Bill.pdf

**10b.** 17-3074 Tom Bulger's Report

Report from Washington, D.C. advocate

***Action:*** Information

***Presenter:*** Randy Rentschler

***Attachments:*** 10b_Tom Bulger's DC Report_Dec 2017.pdf

## 11. Public Comment / Other Business

## 12. Adjournment / Next Meeting

**The next meeting of the MTC Legislation Committee will be February 9, 2018, 9:40 a.m. the Bay Area Metro Center, 375 Beale Street, San Francisco, CA.**

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site (mtc.ca.gov) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章：**MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.

Date: January 11, 2018

To: ABAG Executive Board

From: Executive Director

Subject: **2018 Final MTC/ABAG Joint Advocacy Program**

**Executive Summary**

At the joint meeting of the ABAG Legislation Committee and the MTC Legislation Committee on January 12, 2018, there was extensive discussion of Item 5, Improve HOV Lane Performance. In response to the discussion, staff offered to revise the proposal prior to final adoption of the advocacy program. That proposed revision is included in italics in the attached draft 2018 Joint Advocacy Program and is as follows:

Improve HOV and Express Lane Performance
Sponsor legislation to improve the performance of high-occupancy vehicle (HOV) and express lanes through enhanced enforcement of vehicle passenger occupancy requirements. The legislation will include one or more of the following components applicable to both HOV and express lanes:

1. Authorization to deploy technology, on a pilot basis, to enforce vehicle occupancy requirements.
2. Establishment of a dedicated vehicle occupancy enforcement unit within California Highway Patrol (CHP).
3. Authorization for regional agencies to contract with local law enforcement or other entities to enforce vehicle occupancy requirements.
4. Financial penalties for CHP if they are out of compliance with the agreed-upon contract terms for using overtime hours for enhanced enforcement.

**Recommended Action**

The Executive Board is requested to approve the 2018 Joint MTC/ABAG Advocacy Program.

Steve Heminger

**Attachments**

Revised 2018 Joint MTC/ABAG Advocacy Program
Memo 2018 Final MTC/ABAG Joint Advocacy Program

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METROPOLITAN TRANSPORTATION COMMISSION

# Draft 2018 Joint Advocacy Program
## *(Revised, 1/12/2018)*

Association of Bay Area Governments

| STATE | | |
|---|---|---|
| **Issue** | **Goal** | **Strategy** |
| 1. Transportation Funding | A. Defend Senate Bill 1 (Beall) | Oppose any statewide ballot measure that proposes to repeal the new fuel taxes and registration fees enacted by Senate Bill 1 (Beall, 2017). Collaborate with local, regional, and statewide organizations to highlight the benefits SB 1 is providing to improve the condition of local streets and roads and the state highway system, support public transit systems and implement bicycle and pedestrian improvement projects across the region. |
| | B. ~~Secure passage of~~ *Provide Public Information Regarding* Regional Measure 3 | Assuming placement of Regional Measure 3 on the ballot in 2018, staff will develop public information materials *and support partner agencies in their efforts* to ~~help~~ inform the public about the ~~benefits of the~~ proposed toll increase and ~~how~~ the expenditure plan *to* ~~will~~ improve mobility within the Bay Area's seven state-owned bridge corridors. |
| | C. Cap and Trade Funding | In collaboration with other statewide organizations, defend the existing transportation and housing programs funded by cap and trade and seek opportunities to direct additional cap and trade funds towards these purposes. Support administrative and/or legislative efforts to streamline funding applications and simplify program administration. |
| | D. Definition of Disadvantaged Communities | Monitor legislation related to the definition of disadvantaged communities (DACs) as it relates to a local jurisdiction being able to qualify for certain cap and trade funding and other relevant funding programs. Seek opportunities to broaden the *state's* definition *of DACs* so that it includes all socio-economically disadvantaged communities *and is better aligned with MTC's communities of concern*. Monitor and engage in any administrative efforts related to updating the CalEnviroScreen, the state's current DAC screening tool developed by the Office of Environmental Health Hazard Assessment (OEHHA). |

| **Issue** | **Goal** | **Strategy** |
|---|---|---|
| 2. Housing Supply/ Affordability | A. CASA implementation | Consistent with *Plan Bay Area 2040's* (*Plan*) Action Plan, work with Bay Area regional partners to evaluate, and where appropriate, help implement CASA's state legislative recommendations to advance the *Plan's* housing performance targets. CASA recommendations are expected to address increasing housing supply, improving housing affordability, and strengthening preservation and anti-displacement measures. |
| | B. Housing funding | Support and pursue efforts to augment state funding for housing and related infrastructure, including resources to help local jurisdictions plan for new housing. Collaborate with local, regional and state partners to highlight the potential benefits of the $4 billion housing bond authorized by SB 3 (Beall, 2017). Monitor and engage in legislative or administrative efforts related to allocating state housing resources to maximize funding to Bay Area communities. |
| | C. Incentivize production | *Support efforts to incentivize increased housing supply, especially compact, mixed-use development in Bay Area locally-designated priority development areas (PDAs), housing element sites and job centers with access to high-quality transit service.* Pursue opportunities to reward local jurisdictions that *preserve existing affordable housing stock and* produce new housing ~~and preserve the existing affordable housing stock~~ with additional state funds. Incentives could include augmented resources for parks, infrastructure, schools or other investments that support complete, sustainable communities in growing jurisdictions. |
| | D. Reform state housing law | Engage in efforts anticipated to be led by Senator Wiener regarding ways to update the Regional Housing Needs Allocation (RHNA) process. Potential areas for legislative action include ~~changing~~ *expanding* the types of units that the State Housing & Community Development Department deems eligible to be counted as part of its RHNA review and modifying the methodology by which the state develops its overall estimate of total housing units for each region so that it incorporates economic and demographic factors that fuel demand for housing. |
| | E. Lower housing construction costs and facilitate greater housing production | Partner with Bay Area and statewide affordable housing organizations, the Bay Area Council, Silicon Valley Leadership Group, and other interested parties to pursue opportunities to lower the cost of housing construction and facilitate increased production of market-rate and affordable housing units. |

| **Issue** | **Goal** | **Strategy** |
|---|---|---|
| | F. North Bay Wildfires | Work with local partners to advocate for state funding, resources, and other emergency relief measures to aid and support rebuilding and recovery efforts following the devastating 2017 North Bay wildfires. |
| 3. Climate Change & Energy | A. Accelerate the transition to a low carbon future | Support legislation to accelerate the transition to a low carbon future through changes to the vehicle fleet as well as incentives for low carbon buildings. *Advocate for consideration of resilience and redundancy in electric vehicle charging infrastructure deployment.* |
| | B. Improve energy and water efficiency | Support legislation designed to enhance the energy and water efficiency of buildings, including commercial, multifamily and single-family homes. Also support proposals to boost the use of renewable energy and electrification of energy. |
| 4. Resilience | A. Protect existing and future housing stock from natural hazards, such as earthquake and fire | Support efforts to expand the retrofit of existing residential housing, with a focus on multifamily developments, while also strengthening standards for new construction beyond “life safety” to “shelter in place” so that new housing can better withstand a major earthquake. Focus on opportunities to retrofit affordable housing through preservation projects funded from newly-augmented state housing revenues. Engage in efforts at a state and regional/local level to pursue additional funding to support the retrofit of existing properties. |
| | B. Relieve congestion and mitigate the effects of sea level rise on S.R. 37 | In partnership with the State Route 37 Policy Committee and its representative agencies, support legislation and other efforts to address sea level rise, reduce congestion and improve safety on State Route 37. |
| 5. HOV Lanes | Improve HOV lane performance<br><br>(See proposed revision on next page) | ~~Pursue *administrative and legislative options and potentially* legislation to improve the performance of high-occupancy vehicle (HOV) lanes by ensuring greater compliance with passenger occupancy requirements. Explore various options, including but not limited to securing additional state funding for dedicated HOV-lane enforcement units, whether staffed by California Highway Patrol or local law enforcement; *a web or app-based* citizen reporting *system* line, similar to the HERO program established over 30 years ago in the State of Washington; and pilot programs to test the benefits *deployment* of technology-based enforcement. Ensure MTC and other regional transportation agencies have a decision-making role in the selection of HOV segments to prioritize for additional enforcement efforts to ensure cost-effectiveness. Explore and pursue other creative options to improve compliance and performance of the lanes. “~~ |

| **Issue** | **Goal** | **Strategy** |
|---|---|---|
| 5. HOV Lanes (cont'd) | Improve HOV *and Express Lane* performance | *Sponsor legislation to improve the performance of high-occupancy vehicle (HOV) and express lanes through enhanced enforcement of vehicle passenger occupancy requirements. The legislation will include one or more of the following components applicable to both HOV and express lanes:*<br>*(1) Authorization to deploy technology, on a pilot basis, to enforce vehicle occupancy requirements.*<br>*(2) Establishment of a dedicated vehicle occupancy enforcement unit within California Highway Patrol (CHP).*<br>*(3) Authorization for regional agencies to contract with local law enforcement or other entities to enforce vehicle occupancy requirements.*<br>(4) *Financial penalties for CHP if they are out of compliance with the agreed-upon contract terms for using overtime hours for enhanced enforcement.* |
| 6. Bus Service | Authorize "bus-on-shoulder" | Support efforts to *expand authorization of* ~~authorize~~ buses to use the highway shoulder, known as "bus-on-shoulder" during periods of heavy traffic. This is currently allowed in *the Santa Cruz/Monterey area and* ~~13~~ *12* other metropolitan areas in the U.S., (including Seattle, ~~San Diego,~~ Miami, Minneapolis/ St. Paul, Atlanta, and the Washington, D.C. area), to help speed up bus service in highly-congested corridors. Require collaboration with the California Highway Patrol in the development of guidelines to determine which roadways qualify to ensure public safety. |
| 7. Active Transportation | Improve roadway safety for all users | In partnership with the City and County of San Francisco, San Francisco Municipal Transportation Agency, the City of San Jose and others, continue to support legislation to help achieve Vision Zero — aimed at eliminating all traffic-related serious injuries and fatalities. Support proposals to increase enforcement of traffic laws protecting pedestrians and bicyclists, including proposals to authorize automated speed enforcement on a pilot program basis, such as provided for in AB 342 (Chiu, 2017). |
| 8. Shared Mobility | Support policies that enable technological innovations to improve mobility, while protecting the public's interest | Monitor legislation and regulations related to shared mobility, such as transportation network companies and real-time carpooling, to ensure that mobility benefits are maximized, and access to critical data for transportation and land-use planning and operational purposes is assured. |

| | | |
|---|---|---|
| 9. Connected and Autonomous Vehicles | Monitor and engage in legislation and regulations to facilitate deployment of connected vehicles and autonomous vehicles | In partnership with Bay Area cities and counties, transit agencies, the business community, and other transportation organizations, engage in regulatory and legislative efforts related to *facilitating the deployment of* connected and autonomous vehicles with the goal of accelerating their safety, mobility, environmental, equity and economic benefits, *including opportunities to support improved transit acces*. Similar to the "shared mobility" strategy, support access to critical data for transportation and land use planning and operational purposes. *In addition, support Bay area jurisdictions' efforts to test and deploy these new technologies.* |
| 10 Project Delivery | A. Speed up the design and construction of transportation projects | Support legislation to expedite transportation project delivery by increasing contracting and financing options, including increased flexibility in the Caltrans design review process and broad authority for the use of design-build and public-private partnerships by Caltrans and regional transportation agencies. Support opportunities to establish requirements that would provide greater certainty and oversight of Caltrans reimbursement expenses for locally-sponsored projects on the state highway system. |
| | B. Update CEQA to curb its abuse by project opponents and speed up the environmental review process | Monitor legislation related to the California Environmental Quality Act (CEQA) to seek opportunities to expedite transportation and multifamily housing projects and avoid litigation and delay for key regional priorities, such as projects to expand public transit and build affordable housing *in locally-designated priority development areas with access to high-quality transit*. |
| *11. Statewide Bond for Parks/Water* | *Ensure the Bay Area receives a fair share of funding from statewide bond for parks, water/drought and flood protection on the June 2018 ballot* | *Last year the Legislature enacted SB 5 (DeLeon), placing on the June 2018 ballot a $4 billion bond for parks, water conservation, and flood protection. If the bond proposal passes, there is likely to be additional implementing legislation proposed. Effort will be needed to be sure that the Bay Area receives its fair share of the funding, given the language in the bond which gives preference to "disadvantaged communities" for many of the funding programs.* |
| *12. Natural and Agricultural Lands* | *Encourage the protection and stewardship of Bay Area natural and agricultural land* | *Support legislation to protect and steward the Bay Area's natural and agricultural landscapes and support funding to effectively restore and manage critical habitat and to provide outdoor recreation opportunities.* |

| FEDERAL | | |
|---|---|---|
| **Issue** | **Goal** | **Strategy** |
| 1. Transportation and Housing Funding | A. Defend fiscal year 2018 and 2019 appropriations | Partner with local, regional and statewide transportation agencies as well as national stakeholders to ensure that Congress appropriates funding in fiscal year 2018 and fiscal year 2019 consistent with amounts authorized in the Fixing America's Surface Transportation (FAST) Act. Likewise, work to defend federal affordable housing funds and programs, such as Section 8 housing vouchers, the HOME Investment Partnership Program and the Community Development Block Grant Program. |
| | B. Advocate for Capital Investment Grant funding for Resolution 3434/ *Plan Bay Area 2040* Projects | Work with regional, state and national partners to advocate for both funding and implementation of the Capital Investment Grant (CIG) Program as authorized by the FAST Act. Support federal appropriations consistent with the full funding grant agreements approved for the San Francisco Third Street Light Rail/Central Subway project, BART to Berryessa extension and Caltrain Peninsula Corridor Electrification project. Seek to advance through the CIG process the Bay Area's next generation of transit expansion projects, namely: San Francisco Transbay Transit Center (Phase 2)/Downtown Extension (DTX), BART to Silicon Valley: Phase 2, and the Transbay Corridor Core Capacity project. Support transit operator requests for Small Starts funding for projects consistent with *Plan Bay Area 2040.* |
| | C. Protect federal transportation and housing investments in the Bay Area | Oppose efforts to withhold federal transportation or housing funds from jurisdictions not in compliance with federal Immigration and Customs Enforcement law, or from "sanctuary" jurisdictions. Withholding these funds would be extremely harmful to Bay Area residents and businesses, as well as the state's ability to achieve its air quality and climate change goals. |
| | D. Disaster recovery | With local and state partners to advocate for emergency relief appropriations and federal agency resources to support rebuilding and recovery efforts following the devastating 2017 North Bay wildfires. |

| Issue | Goal | Strategy |
|---|---|---|
| 2. Infrastructure Initiative | Increase federal transportation and housing investment in metropolitan regions under any new infrastructure funding initiative | Urge Congress and the Administration to make transportation and housing infrastructure in the nation's metropolitan regions a national funding priority. Work with partners across the country to support an investment package with funding and financing tools that work for metropolitan regions, including Build America Bonds. Support new revenues for major transit, congestion relief and goods movement projects, a new metro-mobility formula program and increased funding for existing authorized programs, including the Surface Transportation Block Grant and Congestion Mitigation and Air Quality Improvement programs. In conjunction, support growing federal resources for affordable housing, including the Low Income Housing Tax Credit program. |
| 3. Tax Reform | Support housing affordability | Support state and national partners' efforts to protect and strengthen federal tax tools that help make housing affordable for households across the income spectrum, including the Low Income Housing Tax Credit program. |
| | Protect and expand transportation fringe benefits | ~~Work with regional and national partners to defend the commuter benefit under any tax reform proposal. In addition, a~~ *A*dvocate for expanding pre-tax transportation fringe benefit eligibility to include shared mobility options, such as bike-share and shared ride carpool services. This change would support the now-permanent Bay Area Commuter Benefits program by expanding federal tax incentives to carpool and bike to work, in addition to taking transit and vanpooling. |
| | Marketplace Fairness Act | Support any renewed efforts to advance in tax reform the Marketplace Fairness Act (MFA), which seeks to apply state and local sales tax rates to e-commerce transactions. The MFA has the prospect of increasing infrastructure funding in the Bay Area as a result of increased revenue from local sales taxes that fund transportation and housing, the Transportation Development Act (TDA) funds — a key source of transit operating funding — and AB 1107, the permanent ½ cent sales tax for BART (applicable in Alameda, San Francisco and Contra Costa counties). |

| **Issue** | **Goal** | **Strategy** |
|---|---|---|
| 4. Climate Change and Resiliency | Strengthen federal partnership to support resiliency and climate change preparedness | Support regional agency partners in efforts to protect existing federal resources that support the Bay Area's efforts to plan for and combat climate change. Monitor legislative proposals related to climate change adaptation and mitigation. Engage on efforts that could support the region in improving resiliency, responding to new or worsening environmental hazards and meeting the *Plan Bay Area 2040 c*limate goal. |
| 5. Connected Vehicles and Autonomous Vehicles | Monitor and engage in legislation and regulations to facilitate deployment of connected vehicles and autonomous vehicles | In partnership with Bay Area cities and counties, the business community, state and national transportation organizations, engage in regulatory and legislative efforts with the goal of accelerating safety, mobility, environmental, equity and economic benefits. Support strong federal vehicle safety standards while also preserving the ability of state and local agencies to continue to set policies governing the operation of vehicles on highways and local roads, regardless of whether they are driven autonomously or manually. |

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METROPOLITAN TRANSPORTATION COMMISSION

ASSOCIATION OF BAY AREA GOVERNMENTS

BayAreaMetro.gov

# Memorandum

TO: Joint MTC Legislation Committee and ABAG Legislation Committee

DATE: January 5, 2018

FR: Executive Director

1131

RE: 2018 Final MTC/ABAG Joint Advocacy Program

Attached is an updated draft of the 2018 Joint Advocacy Program for ABAG and MTC. The comments in italics reflect changes made from the original version presented to the joint committee in November. These changes are based on feedback staff received at the MTC Policy Advisory Council, a statewide meeting of Regional Transportation Planning Agencies that MTC hosts each fall, and the December meeting of the ABAG Regional Planning Committee, as well as other input staff has received while further researching the proposals. Staff seeks your approval of this document, incorporating any final comments you may have at your meeting, which would then be forwarded to both boards for adoption at their January meetings.

Steve Heminger

**Attachment:**

- Attachment A: Draft 2018 Joint Advocacy Program

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# ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area

ABAG

# AGENDA

**FINANCE COMMITTEE**

Thursday, January 18, 2018, 5:00 p.m.

Location:

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

Committee Members:

Karen Mitchoff, Supervisor, County of Contra Costa—*Chair*
Annie Campbell Washington, Councilmember, City of Oakland
Cindy Chavez, 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
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. ELECTION OF COMMITTEE CHAIR AND VICE CHAIR FOR 2018 AND DESIGNATION OF TERM OF OFFICE**

ACTION

Steve Heminger, MTC Executive Director, will give the staff report.

**3. PUBLIC COMMENT**

INFORMATION

**4. COMMITTEE ANNOUNCEMENTS**

INFORMATION

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

ACTION

*Attachment: Summary Minutes of November 16, 2017*

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

ACTION

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

*Attachments: Memo Financial Statements; Financial Report Net Surplus Deficit; Financial Report Budget to Actual; Memo Contracts between $20,000 and $50,000*

**7. REPORT ON INVESTMENTS FOR NOVEMBER 2017**

ACTION

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

*Attachments: Memo Investment; Investment Report*

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

ACTION

Courtney Ruby, MTC Administration and Facilities Director, will give the staff report.

*Attachments: Memo Audited Financial Reports; Basic Financial Statements Fiscal Year End June 2017; Single Audit Report Year End 2017; Memorandum Internal Control*

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

ACTION

Denise Rodriguez, MTC Contract Compliance Manager, Administration and Facilities, will give the staff report.

*Attachment: Memo Business Insurance Broker*

## 10. ADJOURNMENT

The next regular meeting of the ABAG Finance Committee is on March 15, 2018.

Date Submitted: January 8, 2018

Date Posted: January 11, 2018

Date: January 11, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Audited Financial Reports for FY 2016-17**

Audited Financial Reports for FY 2016-17

Our independent auditors, Maze & 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.

Financial highlights of the year include the following:

- The Association's Total Assets were $29.5 million at June 30, 2017. At June 30, 2016, Total Assets were $38.8 million. Total Assets include Cash and Cash Equivalents of $6 million (down $1.6 million from the prior year), Federal, State and Local Grants Receivables of $16.3 million (down $13.4 million from the prior year), Interest Receivables of $6,000 (up $3,000), Prepaid Expenses and Other of $641,000 (up $311,000), and Capital Assets net of Accumulated Depreciation of $5.9 million (up $4.8 million).

- The increase in capital assets is the net result of the transfer of $800,000 in non-depreciable tenant improvements at 375 Beale Street, San Francisco, funded by MTC, to depreciable facilities and improvements, the disposal of $4.8 million of nearly fully depreciated assets (net book value $56,000) from the prior Oakland Metro Center, and the acquisition of $5 million of assets located at 375 Beale Street, and current year depreciation of $162,000.

- The decrease of $9.3 million in Total Assets is due primarily to the decrease in pass-through grants receivable for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program, and the increase in capital assets.

- Deferred Outflows and Inflows of Resources relate to Association's CalPERS employee pension plan, and are based on assumptions and estimates made by CalPERS. Deferred outflows of resources at June 30, 2017 were $6.6 million, an increase of $4.5 million over the prior year. The major factors of this increase were a cash contribution to the plan of

$2.7 million and recognition of a $2.8 million difference between projected and actual earnings on pension plan investments.

- The Association's Total Liabilities were $35.2 million at June 30, 2017. Major components include Accounts Payable of $7 million, Retentions Payable of $1.9 million, Other Accrued Liabilities of $4.9 million, Unearned Revenue of $6.1 million and Net Pension Liability of $14.8 million. (up $1.6 million over the prior year). Other Accrued Liabilities are San Francisco Estuary Partnership expenditures incurred prior to June 30, 2017, for which invoices were received after June 30, 2017. The decrease of $12 million in Total Liabilities is due primarily to the decrease in consultant services and pass-through grants for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program.

- The Association's total program revenues were $48.1 million in FY 2017, while total program expenses were $43.3 million, yielding net program income of $4.9 million. The major component of this net program income is $5 million gain on exchange of capital assets. General revenues include $2 million in Membership Dues, $151,000 in unrestricted donations, and $19,000 in interest income. Total increase in net position for the year was $7.5 million. The Association's total net position at June 30, 2017 was a deficit of $523,000. The Association's total net position in the previous fiscal year ended June 30, 2016 was a deficit of $7.5 million.

- ABAG program and general revenues for FY 2017 were $50.2 million, including $9.2 million pass-through funds for vendors and rebate recipients. There were only minor program and general revenues for ABAG Finance Corporation, and BALANCE Foundation program and general revenues were $10,000.

- ABAG program operating expenses for FY 2017 were $43 million, including pass-through expenditures of $9.2 million and consultant services of $23.7 million. ABAG Finance Corporation operating expenses were $1,000 and BALANCE Foundation operating expenses were $311,000.

- The San Francisco Bay Restoration Authority received no revenue and expended $1.3 million for services related to promoting Revenue Measure AA. The Authority ended the year with a net position of deficit of $1.3 million. The deficit was covered by revenue from Measure AA, in fiscal year 2017-18.

Single Audit

The auditors issued their final Single Audit Report (under separate cover). The 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.

Memorandum on Internal Controls

The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses. However, material weaknesses could exist that have not been identified. A financial statement audit includes consideration of internal controls over financial reporting for the purpose of expressing an opinion on the financial statements but is not for the purpose of expressing an opinion on the effectiveness of an entity's internal controls.

**Recommended Action**

The Finance Committee is requested to recommend Executive Board acceptance of the staff report of the Audited Financial Reports for FY 2016-17.

Steve Heminger

**Attachments**

Basic Financial Statements Year Ended June 2017
Single Audit Report Year Ended June 2017
Memorandum on Internal Control and Required Communications Year Ended June 2017

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**ASSOCIATION OF**
**BAY AREA GOVERNMENTS**
**BASIC FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSOCIATION OF BAY AREA GOVERNMENTS**
**BASIC FINANCIAL STATEMENTS**
**For the Year Ended June 30, 2017**

**Table of Contents**

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MAZE & ASSOCIATES

# INDEPENDENT AUDITOR'S REPORT

The Executive Board
Association of Bay Area Governments
San Francisco, California

***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and each major fund of the Association of Bay Area Governments (Association), California, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and each major fund of the Association as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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***Emphasis of a Matter***

As of July 1, 2017, the Association merged with the Metropolitan Transportation Commission. See Note 10B for further discussion. The emphasis of this matter does not constitute a modification to our opinions.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 20, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Association of Bay Area Governments (Association) has issued the financial reports for fiscal year ending June 30, 2017 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34).

The 2017 financial statements reflect the adoption of Government Accounting Standards Board Statement 68 "Accounting and Reporting for Pensions" (GASB 68), which requires recognition on the Statement of Net Position the cumulative unfunded pension liability, and recognition of related expense in the Statement of Activities. As a result, the Association carries a deficit net position at June 30, 2017.

This discussion and analysis provides an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

### BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include:

1. Statement of Net Position - provides information about the financial position of the Association, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities. A new feature on the Statement of Net Position is the presentation of deferred outflows and deferred inflows (deferrals). Deferrals are defined in GASB 65 as outflows and inflows of resources that have already taken place, but are not recognized as revenues and expenditures because they relate to a future period.

2. Statement of Activities - presents revenues, expenses and changes in net position for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.

3. Statement of Cash Flows - provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash inflows and outflows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating surplus/deficit. In addition, cash flows related to investments and financing activities are presented separately.

The Basic Financial Statements above provide information about the financial activities of the Association's three programs—ABAG, ABAG Finance Corporation and BALANCE Foundation, each in a separate column. Also presented is the San Francisco Bay Restoration Authority as a "discretely presented component unit."

## FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The Association's Total Assets were $29.46 million at June 30, 2017. At June 30, 2016, total assets were $38.75 million. Total Assets include Cash and Cash Equivalents of $6.03 million (decline of $1.64 million from the prior year), Federal, State and Local Grants Receivables of $16.28 million (decline of 13.41 million from the prior year), Accounts Receivable of $647 thousand at June 30, 2017 are composed of advances of $226 thousand to the San Francisco Bay Restoration Authority, advances of $276 thousand to other ABAG service programs, $75 thousand instalment sale receivable, and $70 thousand refund of adjusted payroll tax deposits. Capital assets of $5.9 million (net of accumulated depreciation of $641 thousand) include $800 thousand in condominium improvements funded by the Metropolitan Transportation Commission. The decline of $9.29 million in Total Assets is due primarily to the decline in unbilled receivables for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program.

- The Association's Total Liabilities at June 30, 2017 were $35.2 million, composed of current liabilities of $20 million and long term liabilities of $15 million related to pension and employee benefits obligations of $15 million. These long term obligations are described in detail in Notes 8 and 9 of the Basic Financial Statements.

- The Association's total program revenues were $48.14 million, including a gain on sale of the Oakland office condominium other fixed assets of $4.960 million. Total general revenues were $2.13 million, including membership dues of $1.96 million. Total program expenses were $43.28 million yielding a total surplus for the year of $6.99 million.

- The Association's total net position at June 30, 2017 was net deficit of $523,970. The Unrestricted deficit was $6,168,114 (inclusive of net Deferred Outflows and Inflows of Resources related to pensions of $5,206,393), and Net Investment in Capital Assets was a positive $5,644,144. This was an improvement in net position of $6,988,335.

- The San Francisco Bay Restoration Authority had no revenue during the year, and expenditures of $1,333,974. The ending net position of deficit $1,331,833 was covered by loans from member agencies in July 2017.

## NONCURRENT ASSETS

At June 30, 2017, the Association had noncurrent depreciable assets of $5.86 million, an increase of $4.80 million over the June 30, 2016 balance. Additions to depreciable capital assets were $5.82 million and depreciation for the year was $162 thousand. Additional details of the Association's capital assets are presented in Note 3 to the financial statements.

## DEBT ADMINISTRATION

The Association's long- term obligation was decreased by a payment of $78 thousand toward the $294 thousand owed for the office improvement project at the beginning of the year. This left a balance of $216 thousand for the office improvement project, of which $83 thousand is classified as a current liability, payable within the next fiscal year. There was no new debt incurred. Additional details of the Association's long term obligation are presented in Note 4 to the financial statements.

## ORGANIZATIONAL CHANGES

On May 19, 2016 and May 25, 2016, the governing bodies of ABAG and the Metropolitan Transportation Commission (MTC) voted to support full functional staff consolidation of the two agencies under the leadership of MTC Executive Director Steve Heminger, with future governance options to be discussed by the two boards two years after implementing the consolidation of staff.

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and the consolidated MTC/ABAG staff will perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP) that had been previously performed by the ABAG staff. The newly created position of Deputy Executive Director for Local Government Services reports to the MTC Executive Director. ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission, along with all of its statutory roles and responsibilities as the region's Council of Governments.

On July 1, 2017 all members of the ABAG staff, excluding the ABAG Legal Counsel who retires January 5, 2018, were merged into the staff of MTC as new employees of MTC.

ABAG and the LCPs will continue to prepare annual budgets and work plans that are to be approved by the applicable MTC, ABAG and LCP policy bodies. ABAG shall retain ownership of all its existing assets and remains responsible for its outstanding liabilities, including unfunded pension liabilities and retiree medical for former ABAG employees who are now retired.

## MAJOR PROGRAM INITIATIVES IN FY 2017 AND OUTLOOK FOR FY 2018

### Planning and Research Programs

Over the last five decades, ABAG has steadily strengthened its practices as a leader of collaborative regional land use planning, expanding our range of partners, extending the breadth and depth of topics that are influenced by local and regional land use decisions, the Planning and Research Department continues to consolidate research and planning efforts to address sustainability, equity and resilience in the region. We completed our contributions to the update of *Plan Bay Area 2040*, including the development of forecasts and scenarios, and inclusion of an Action Plan for implementation of regional initiatives that are not transportation projects or programs *per se*.

ABAG added two additional priorities for *Plan Bay Area*, resilience and economic development. On the resilience front, federal funding helped us to develop long term recovery strategies related to earthquakes and flooding in partnership with local jurisdictions. On the economic development front, we addressed regional priorities in collaboration with economic development organizations and the regional prosperity consortium.

ABAG continued to support efforts to retain and enhance the qualities of our natural environment and agricultural lands through the Priority Conservation Areas (PCAs), San Francisco Bay Trail, and the San Francisco Bay Water Trail. We also facilitated coordination among the region's water districts and green business programs.

Working closely with local jurisdictions, Congestion Management Agencies (CMAs), and the Metropolitan Transportation Commission (MTC), ABAG's Planning and Research Department continued to provide planning assistance, research support, and institutional coordination for the implementation of Priority Development Area (PDAs), enhancement of open space and regional trails, housing production, and economic development.

**Housing Production and Affordability**

Planning and Research staff continued to initiate and support efforts to develop new funding sources for affordable housing and to remove obstacles to jurisdictions' implementation of local infill development objectives, continued to work with MTC to use existing resources to incentivize and support infill housing production, and continued to identify and publicize replicable local effective practices that address economic displacement due to new development.

**Economic Development**

Based on the regional economic development framework developed in 2014-2015, ABAG staff began the process of developing a Comprehensive Economic Development Strategy (CEDS) and formation of a Bay Area Regional Economic Development District (REDD) to support the implementation of identified priorities in Plan Bay Area 2040. Given the increasing investment opportunities in the region for the next couple of years, staff is working with local jurisdictions to support entitlement streamlining for projects within PDAs.

**Resilience**

ABAG's Resilience Program helps local jurisdictions build communities that can prosper and thrive in the face of ongoing natural stressors and unexpected shocks. Our priority concerns are the vulnerability of our region's housing stock to earthquakes, flooding and wildfires; the vulnerability of our interconnected utility infrastructure systems which underpin the region's economy; and the importance of collaborative regional resilience planning. ABAG's work priorities are:

- Publicize the Bay Area's risk landscape relative to all significant natural hazards, building on the extensive world-class work that has already been done on this topic throughout the region, while recognizing the unique issues facing each Bay Area community.

- Support member cities and counties in developing innovative local resilience plans that meet the requirements of a local hazard mitigation plan and are coordinated and integrated with other local plans.

- Introduce resilience perspectives, adaptive climate action, social justice measures, and disaster mitigation, into *Plan Bay Area 2040.*

- Foster a resilience community of practice in the Bay Area that identifies and develops local champions who have the opportunity to connect with one another, learn from each other, and have the tools to carry resilience work forward in their own jurisdictions and collectively for the region.

- Provide in-depth assistance to help member jurisdictions overcome the barriers of limited resources and technical expertise by developing resilience implementation tools and guidance, as well as providing technical assistance.

- Continue to promote the adoption of consensus regional resilience strategies emanating from ABAG's LP25 symposium in partnership with member cities and counties and key regional and state stakeholders.

**Bay Trail/Water Trail, Open Space and Farmland Preservation**

ABAG will continue to extend the Bay Trail and Bay Water Trail, expand public use of this great regional amenity, and strengthen political and financial support for its development and maintenance.

***Priority Conservation Areas*** — Regional planning strategies can help protect and maintain our natural habitat, water resources, agricultural land, and open space. Priority Conservation Areas (PCAs) complement PDAs by identifying locations with high ecological, recreational, and economic value. To date, more than 100 locally selected PCAs populate this useful coordination framework. Adoption of *Plan Bay Area* set the stage for implementation activities, including:

- One Bay Area Grant (OBAG) PCA Grant Pilot Program: ABAG and MTC are assisting local jurisdictions and CMAs in implementing a $10 million program to support projects in PCAs; administering $5 million directly in North Bay counties and $5 million through the California Coastal Commission for the rest of the Bay Area.

- ABAG continues to work with jurisdictions and other stakeholders to evaluate and potentially establish additional PCAs.

**San Francisco Bay Trail & San Francisco Bay Area Water Trail**

The San Francisco Bay Trail is based on a visionary plan for a shared-use bicycle and pedestrian path along the shoreline that will one day allow continuous travel around San Francisco Bay, extending over 500 miles to link the shoreline of nine counties, passing through 47 cities and crossing seven toll bridges. Already, 340 miles have been completed and are in use. ABAG administers the project and provides regional leadership for its completion.

The San Francisco Bay Area Water Trail is a network of landing and launch sites for non-motorized small boats. ABAG plays a critical role implementing this new regional trail in partnership with BCDC, the California Division of Boating and Waterways and the lead agency and primary funder, the State Coastal Conservancy.

Major priorities for both include: manage planning and construction grants, and award new grants; expand partnerships with private corporations and other organizations for specific gap closures; participate in working groups addressing sea level rise, such as Adapting to Rising Tides, and provide input on climate action plans; cultivate legislative champions; expand coverage of the mobile phone tours app; designate and improve Water Trail sites; publish project updates and participate in trail dedications and other public events; public outreach to promote trail usage and support environmental education, public health and tourism.

**Regional Social, Economic, and Land Use Research**

ABAG research staff completed the regional level forecast of household formation and employment growth, and worked with the Interagency Modeling Group to prepare the land use analysis and develop alternative scenarios for the SCS environmental assessment.

***Modeling, Forecasting, and Trend Analysis***
ABAG research staff finalized documentation of the forecast for *Plan Bay Area 2040*. ABAG staff completed an Economic Profile for the Bay Area as part of efforts to create a Regional Economic Development District. Staff also worked with USGS on an analysis of Economic impacts of an earthquake along the Hayward fault.

***Resources for Mapping***
Research staff continues to enhance tools and resources that allow policy makers and the public to visualize important information about regional growth. In Fiscal Year 16-17, the work included upgrade of system software and GIS application software; further work on the searchable catalogue of GIS resources; convert existing map applications to new APIs; and using the upgraded platform for the PDA showcase update with many new features. Staff also created shape files for an inventory of all housing sites identified in local Housing Elements.

**Intergovernmental Coordination**

In its core role as convener of inter-governmental and cross-sector collaborations to plan regionally and to coordinate implementation of regional plans, ABAG will continue to act as the administrative sponsor for the Joint Policy Committee, the Regional Planning Committee, Regional Airport Planning Committee and the Environmental Information Clearinghouse. We will also continue to provide leadership and administrative support for the numerous collaboratives mentioned earlier in the Planning and Research work program, including San Francisco Bay Trail Board, San Francisco Water Trail Advisory Committee, East Bay Corridors working groups, and the Bay Area Planning Directors Association.

Over the last five decades, ABAG has steadily strengthened its practices as a leader of collaborative regional land use planning, expanding our range of partners, extending the breadth and depth of topics that are influenced by local and regional land use decisions, the Planning and Research Department continues to consolidate research and planning efforts to address sustainability, equity and resilience in the region. We began the update of *Plan Bay Area 2017*, including the development of forecasts and scenarios.

## FISCAL MANAGEMENT SERVICES

ABAG provides fiscal management services to Bay Area public purpose entities and region-wide grant programs. Entities serviced are:

- SFEP – San Francisco Estuary Partnership
- POWER - ABAG Publicly Owned Energy Resources
- PLAN – ABAG Pooled Liability Assurance Network
- SHARP – ABAG Compensation SHAred Risk Pool
- FAN – ABAG Finance Authority for Nonprofit Corporations
- WETA – San Francisco Bay Area Water Emergency Transit Authority

These services include accounting, financial reports, cash management, investments, debt issuance, grants management, and other related financial support services. ABAG discontinued financial services to WETA June 30, 2017. A complete financial report for the entities listed may be viewed in the Basic Financial Statements issued for each separate entity.

## SAN FRANCISCO ESTUARY PARTNERSHIP (SFEP)

The San Francisco Estuary Partnership (SFEP) and its cooperating agencies and organizations both initiated, and continued work on a wide array of projects and activities in support of the Partnership's mandate: To protect, enhance, and restore the San Francisco Bay-Delta Estuary by implementing the *Estuary Blueprint*.

The Partnership has:

- Almost three years in the making, the 2016 Comprehensive Conservation and Management Plan is now complete. The 2016 CCMP (or Estuary Blueprint) was officially released on September 21, 2016, during National Estuaries Week.
- Completed all projects in the "Estuary 2100 I" suite of projects. This EPA grant has been open for 8 years and funded 16 projects across the San Francisco Bay region. The total funding award was $4,922,000 and included over $5,800,000 of match for a total project cost of $10,746,429.
- Completed the "Flood 2.0" project, a four-year innovative regional project to integrate habitat improvement and flood risk management at the Bay-channel interface.
- Released "Pumpout Nav," a free smartphone app for boaters to find nearest pumpouts, report non-operable pumpouts, and access information about pollution prevention and sewage management.

- Created two brochures for city managers, council members, and staff on the opportunities offered by nature-based infrastructure, including Green Streets and Natural Shoreline Solutions. The two full-color brochures explain the advantages of nature-based solutions, provide online resources, and offer case studies within the region to demonstrate the real world applicability of these approaches.
- Continued public outreach efforts with the 23rd year of publication of our award-winning *Estuary* news magazine.
- Received additional funding from EPA's Climate Ready Estuaries program and launched new project to develop a regional transition zone mapping methodology and implement a pilot project to advance environmental justice principles with transition zone adaptation strategies

New and ongoing projects include:

- Produced the highly successful State of the Estuary Conference. The Conference was held in October 2016 with over 850 attendees.
- Continue and expand SFEP's Clean Vessel Act Program with funding from California Parks and Recreation's Department of Boating and Waterways.
- Tracking progress of Estuary Blueprint actions and developing communication tools to keep public and partners informed.
- Participate in the Resilient By Design challenge as part of the Research Advisory Committee.
- Provide a portion of the staff of the San Francisco Bay Restoration Authority, a regional agency charged with collecting and distributing parcel tax money from Measure AA for projects to restore, enhance and protect wetlands and wildlife habitat in San Francisco Bay and along its shoreline, and associated flood management and public access infrastructure. The first round of projects will be funded in 2018.
- Organize the highly successful Bay Delta Conference, again partnering with the Delta Science Program. The Conference will be held in October, 2018.
- Work with partners to develop a Wetland Regional Monitoring Program for the San Francisco Bay through a new grant awarded by EPA.
- Advance watershed redesign, tidal wetlands restoration, and urban greening efforts in the South Bay. Through this EPA Bay Water Quality Improvement Fund grant, SFEP and the San Francisco Estuary Institute is working with 15 partner organizations to demonstrate how resilience to climate change can be enhanced through implementation of multi-benefit environmental projects.
- Continue to manage a suite of projects as part of the Integrated Regional Water Management grants funded under California Proposition Bond Funds via the Department of Water Resources.
- Manage the Urban Greening Bay Area project to promote widespread Green Streets implementation.

## ABAG PUBLICLY-OWNED ENERGY RESOURCES (POWER)

ABAG POWER is a joint powers agency (JPA) formed by ABAG in 1997 to acquire energy on behalf of local governments, as well as provide energy management and telecommunication services.

ABAG POWER currently offers natural gas aggregation to 38 local governments and special districts in the Pacific Gas and Electric (PG&E) service territory. ABAG POWER provides a public sector approach to pooled purchasing, and each public agency is guaranteed a voice in program operations and decisions through its representative to the ABAG POWER Board of Directors and Executive Committee.

ABAG POWER purchases natural gas on behalf of members and arranges for it to be delivered to the PG&E system for distribution. The goal of ABAG POWER's Natural Gas Program is to provide both cost savings and price stability. Current goals and objectives include:

- Continue to provide cost effective natural gas aggregation and delivery services for local governmental agencies. This will include active solicitations among natural gas marketers, and the addition of new gas suppliers, as necessary, to continue receiving the most competitive pricing.
- The ABAG POWER Executive Committee will continue to discuss and analyze refinements to the general gas purchasing strategy, including fixed-price product allocations, in order to meet program goals related to cost savings and price stability.
- Continue to encourage additional participants in both the core, and noncore programs that supply larger facilities. Qualified, noncore customers can take advantage of lower gas transportation rates that are not available to PG&E customers. ABAG POWER currently supplies gas to three noncore facilities (City of Santa Rosa, City of Watsonville, and County of San Mateo).

Financial highlights of the year include the following:

- Total assets were $3.2 million at June 30, 2017 a decrease of $684,000 from the June 30, 2016 balance. The major factor in the decrease in assets was a $787,000 decrease in cash, which parallels a decrease in unearned revenue of $776,000. Because we attempt to match billings to members with the cost of gas provided, the decrease in unearned revenue is a positive action.

- Total revenues were $7.1 million in fiscal year 2017, compared to $5.7 million in fiscal year 2016. The increase in revenue is a result of higher unit cost of natural gas purchases. Revenues include earnings on cash held in LAIF and banks of $21,102 in fiscal year 2017 and $14,664 in fiscal year 2016.

- The net position remained at zero at June 30, 2017. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from members.

- General and administrative expenses for fiscal year 2017 were $336 thousand, a decrease of $23 thousand from the prior year. This decrease is due to lower administrative expense payments to ABAG.

Program Outlook for Fiscal Year 2018

Futures contracts show that gas prices are expected to remain in the \$3.00 - \$3.50/Dth range for the next couple of years, even with an expectation of a colder than normal winter. This reflects a situation where gas supply is expected to remain ahead of demand.

However, there are many factors that can cause significant gas price volatility, including: abnormal weather patterns, increased demand from industry and/or gas powered electric generators, restrictions in gas transportation capacity and/or imports, the price of oil, regulatory actions, political instability, and the rise of gas exports. In addition, an increased focus on environmental issues has initiated regulatory actions that emphasize the use of electricity over natural gas thus lowering the demand for gas appliances, and thus moderating gas costs. Conversely, regulatory actions also have the potential to increase costs for using petroleum products, including natural gas. Ultimately, the business objective of ABAG POWER is to offer a reliable energy source at stable prices. The program is deemed to be even more valued during periods of uncertainty.

Other ABAG Energy/Sustainability Initiatives

BayREN was initially approved as a pilot for two years, with a one year extension. The California Public Utilities Commission recently moved to a Rolling Portfolio and BayREN received funding through 2025. The four main program elements are:

1. Single Family Energy Retrofit

The BayREN Single Family Home Upgrade program is designed to reduce energy use in existing single family homes and 2-4 unit residences in the Bay Area. Program goals include improving the environment, helping homeowners save money by saving energy, increasing public awareness of energy efficiency co-benefits like improved comfort and indoor air quality, and stimulating green job growth. Homeowners can be eligible for rebates from \$1,000 to \$6,500 based upon the scope of work performed and associated energy savings, plus a \$300 home energy assessment rebate with an Advanced Home Upgrade. BayREN has paid approximately \$5 million in incentives to Bay Area homeowners.

2. Multi-family Energy Retrofit

The Bay Area Multifamily Building Enhancements ("BAMBE") program offers free technical consulting and rebates for energy efficiency in multifamily buildings with 5 or more attached dwelling units. Property owners may earn \$750 per dwelling unit for installing energy upgrades. The program has far exceeded its targets and has received over \$5 million dollars in additional funding from PG&E to satisfy the high demand for the program.

3. Energy Efficiency Codes and Standards

The BayREN Codes and Standards Program was established to address the role that local building policies, reviews, and inspections play in the energy use of buildings in the region. The Program provides resources and trainings for local planning and building departments to reduce energy consumption in buildings through improved enforcement of energy codes and greater adoption and implementation of green building ordinances.

4. Financing for Energy Efficiency Projects

The Property Assessed Clean Energy (PACE) financing program allows commercial property owners to pay the costs of upgrades as a separate assessment on the building tax roll and carry the costs as annual maintenance expense.

PAYS®

The BayREN Pay As You Save (PAYS®) pilots are helping municipal water utilities in the Bay Area use a tariff based on-bill repayment program to promote greater adoption of resource efficiency measures. PAYS allows water utility customers to receive water and energy saving measures (such as high efficiency toilets, shower heads, and drought-tolerant landscaping) at no up-front cost and pay for the measures over time through a surcharge on their water bill that is less than their utility cost savings.

BRICR. BayREN Integrated Commercial Retrofits (BRICR) is a DOE grant-funded program to utilize existing open source tools to improve energy efficiency in small and medium commercial buildings.

BEAT. Berkeley Energy Assurance Transformation (BEAT). ABAG provides assistance to the City of Berkeley to develop an innovative, scalable and replicable clean energy microgrid community model and case study.

Solar Ordinance Toolkit. ABAG/BayREN collaborate with the Bay Area Air Quality Management District (BAAQMD) and the Bay Area Regional Collaborative (BARC) to develop a toolkit and provide guidance for Bay Area cities and counties that are interested in requiring solar photovoltaic (PV) systems on new single-family and low-rise multifamily residential units.

Electric Vehicles (EV). ABAG remains active in the Bay Area EV Coordinating Council which provides coordination with other Bay Area Regional Agencies, as well as regulatory bodies and private industry.

MULTI-FAMILY CAPITAL ADVANCE PROGRAM

This financing program provides 50% of the financing at zero interest and is available for eligible owners of multifamily properties located with the BayREN region with at least 5 units, who undertake upgrade projects with a scope defined by the BayREN Multifamily retrofit program or the PG&E's multifamily program. The property owner is obligated to repay the total principal, and BayREN receives a pro rata share of each payment. The repaid funds are recycled to provide capital for additional projects.

**INSURANCE POOL PROGRAMS**

ABAG PLAN Corporation provides property, liability and crime insurance coverage to 29 cities and towns in the greater Bay Area under a pooled risk sharing agreement. The SHARP Program (Workers Compensation Shared Risk Pool) provides affordable Workers Compensation coverage to its participating members.

## FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

PLAN's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2017 were $46.6 million. At June 30, 2016, total assets were $49.7 million.
- Total revenues, including program and general revenues, were $9.2 million in FY 2017, total expenses were also $9.2 million, yielding a small net surplus of $34,000.
- Total net position remained at $28.7 million at June 30, 2017.
- General Liability program operating revenues were $5.6 million in FY 2017, Property Liability operating revenues were $1.2 million, and Administration operating revenues were $2.4 million.
- General Liability program operating expenses were $5.8 million in FY 2017. Property Liability operating expenses were $1.4 million, and Administration operating expenses were $2 million.
- General revenues of $2,075 were the net of income on investment of $505,524 and unrealized loss in market value of securities of $503,479. It is anticipated that securities held at June 30, 2017 will be held until maturity and that there will be no gain or loss upon their redemption.

General Liability net position was $27 million at June 30, 2017, Property Liability net position was $547,000, and Administration net position was $1,346,000.

PLAN's Claims Settlement and Reserves for Claims

Above-deductible General Liability claims paid totaled $6.2 million in FY 2017 compared to $2.4 million during FY 2016. PLAN has experienced a slight reduction in claim frequency and has been very aggressive in reducing claim adjustment expenses. Prior fiscal year payouts were a function of the closure of more mature and higher valued claims. The reserve level for claims was decreased to $16.7 million in FY 2017 from $19.9 million in FY 2016. The decrease in reserves is primarily a function of an overall reduction in expected losses and a change in the ultimate loss forecast by PLAN's actuary.

Above-deductible Property claims paid in FY 2017 were $381 thousand compared to $435 thousand in FY 2016. Liability reserve for Property claims remained unchanged at $350 thousand at June 30, 2017. PLAN property losses are stable as to frequency but severity is an ongoing concern for the group. The program deductible has increased from $100k per occurrence to $225k per occurrence causing the group to take on more self-insured exposure. The stop loss aggregate feature that provide some insulation is still in place but it, too, has increased from $250k per program year to $1M making it most valuable in catastrophic situations.

PLAN Program Initiatives in FY 2017 and Outlook for FY 2018

In 2017, PLAN invested $905 thousand in its *Risk Management Best Practices Program*, which focuses on loss control and safety. In 2017 PLAN provided its members *Risk Management and Loss Control* consulting services, as well as, claims administration services that aligned with individualized strategic goals defined by each member. This year's focus was on Facilities Maintenance and Hazard Inspection Best Practices. In 2017, PLAN also continued its ongoing training efforts on contractual risk transfer (contracting risk).

PLAN's annual Sewer Summit continues to be a success; we had a record attendance this year and demand for this event continues to grow. Also successful and well attended was the Urban Forest Conference, with specific focus on drought and severe weather implications to our urban forest environment.

PLAN also conducted a "Risk Awareness Survey" which provided members with valuable information as it relates to safety and risk management temperament, behaviors and attitudes within our member agencies.

The outlook for FY 2017/18 continues to be bright. PLAN's financial performance continues to reflect ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintaining focus on core competencies, PLAN is also focused on further cost savings and has engaged in an agreement for Administrative Services with a private company (Bickmore) commencing January 2018. Following administrative transition to Bickmore, ABAG/MTC will no longer provide administrative or financial services to PLAN.

SHARP's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2017 were $4.9 million. At June 30, 2016, total assets were $5.1 million. The decline in assets is largely due to claims payments in FY 2017 exceeding the addition to claim reserves. Claims paid in FY 2017 were $453 thousand, and in FY 2016 claims paid were $106 thousand.

- Total revenues, including program and general revenues, were $693 thousand in FY 2017, total expenses were $837 thousand. FY 2016 revenues were $809 thousand and expenses were $499 thousand. The net result of operations for FY 2017 was a loss of $171 thousand, the net result of operations for FY 2016 was gain of $220 thousand. The operating loss in FY 2017 is not necessarily an unfavorable outcome, as it follows a substantial gain in FY 2016, and the long term financial objective for SHARP is to balance revenue and expenses.

- Total Trust Fund net position at June 30, 2017 was $3.9 million, and at June 30, 2016 the net position was $4.0 million.

- Trust Administration Fund net position at June 30, 2017 was $-2,799, and at June 30, 2016 the net position was $33,261. Management believes the fund deficit will be recovered by an excess of revenue over expenses in FY 2018.

SHARP's Claims Settlement and Reserves for Claims

Claims payments totaled $453 thousand during the year, compared to $106 thousand in the prior year. This 429% increase is largely due to settlement of a 2016 death claim of $400,000.The claim reserves were $929 thousand as of June 30, 2017, an increase of $7 thousand from prior year. Claim reserves are relatively stable, and claim frequency continues to be low for participating members. The SHARP program remains funded at a high actuarial confidence level.

SHARP's Program Initiatives and Economic Outlook

SHARP continues to promote Workplace Injury Prevention and Wellness as an integral part of its WC program. We continue to encourage the use of Best Practices (IIPP) and offer continuous training in Safety and Loss prevention to our members. Members also favor Wellness Programs to be offered to their employees.

The consolidation of all ABAG staff into the MTC organization and their Workers Compensation program created challenges to the SHARP pool with ABAG being one of five members. The consolidation will result in the departure of the ABAG entity from the SHARP program. The change in member participation rate impacts the program scale and proportionate distribution of risk and associated costs. The impacts are currently being evaluated by staff and program members but the Actuarial analysis is showing the impact to be less than originally thought. The outlook for FY 2017/18 continues to be bright. SHARP's financial performance continues to reflect ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintaining focus on core competencies, SHARP is also focused on further cost savings and has engaged in an agreement for Administrative Services with a private company (Bickmore). Following administrative transition to Bickmore, in January 2018, ABAG/MTC will no longer provide administrative or financial services to SHARP .

**ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS**

ABAG provides financial services to the ABAG Finance Authority for Nonprofit Corporations (FAN). FAN has been providing conduit financing to various public and private organizations throughout the state of California since 1978. Its Programs provide convenient, cost saving, and secure means to meet the capital financing needs of public agencies and their nonprofit partners serving the public interest. To date, FAN has provided over $8 billion in low cost investment capital for projects in more than 240 local jurisdictions. FAN helps its Members to provide for construction of new hospitals and medical clinics, transit systems, affordable housing, schools, museums, water and wastewater systems, and other Member-owned infrastructure. FAN takes special focus on assisting in the construction and preservation of affordable housing, providing financing to date for nearly twelve-thousand units in nearly one-hundred affordable apartment communities.

Financial highlights of the year include the following:

- FAN'S total net position at June 30, 2017 was $4.602 million, an increase of 1.6% over the June 30, 2016 balance of $4.529 million. Assets decreased $226,010 while liabilities decreased $299,123. The major factor in the decrease of liabilities at June 30, 2017, was the payment of $216,621 to the consultants who performed the forensic examination of FAN accounts following the 2014 embezzlement.

- FAN's total revenue, including program revenue, and general revenues were $1.216 million in FY 2017, a decrease of 35% from FY 2016, due to a moratorium on new financing. Total expenses were $1.142 million, an increase of 4% over FY 2016. These expenses consist largely of the salary and benefits of the Financial Services Director/Secretary to Executive Committee, the only fulltime employee assigned to FAN during the year, two consultant who performed marketing and accounting services, and temporary personnel who performed a comprehensive review of the FAN conduit debt portfolio.

Major Financing Activity in FY 2016-17

FAN coordinated the issuance of $47,425,000 Refunding Revenue Bonds and $12,460,000 Taxable Refunding Revenue Bonds, to refund the Windemere Ranch outstanding of the 2007 Senior Revenue Bonds, Series A.

FAN assisted the Crean Lutheran High School of Irvine in issuing $33 million in tax-exempt financing to refund outstanding debt and raise new money to continue construction of existing facilities. FAN also assisted the Presidio Knolls School of San Francisco, California in issuing $4.9 million in tax-exempt financing to refund an existing loan and to renovate existing facilities.

Outlook for FY 2017-18

The ABAG and MTC Boards have formed a new conduit financing authority, the Advancing California Financing Authority (ACFA) to conduct future conduit financing activity. FAN will continue servicing it outstanding portfolio of conduit loans, and continue to administer the four Community Facilities Districts and one Reassessment District that it currently administers.

**LEGISLATIVE ACTVITIES**

The ABAG Legislation Committee (Leg Committee) is comprised of elected officials from the Bay Area's cities, towns, and counties. Through the Committee, ABAG is actively serving members by providing a platform for them to work collaboratively to better understand and influence legislation that impacts local governments throughout the region. Approximately 30 state bills were reviewed by the Committee during the 2016-17 Legislative Session.

ABAG's Leg Committee actively supported ABAG's integrated planning and sustainable community strategy through support of housing funding and reform legislation that was subsequently signed into law at the end of the 2017 session. The committee also supported Senator Mike McGuire's Water Bill Savings Act (SB 564), enabling legislation that would allow pooled bond financing to fund water efficiency improvements on a water utility customer's property. The bill was approved on October 2, 2017 and signed by the governor.

Committee activities throughout the year included policy briefings, a Legislative Workshop and Reception co-hosted by ABAG, California State Association of Counties (CSAC), and California Association of Councils of Governments (CALCOG) with MTC support, and face-to-face dialogues with legislators about Bay Area needs and challenges.

In 2018, ABAG and MTC will be working together on a joint legislative strategy that seeks to advance the underlying goals and action plan of *Plan Bay Area 2040* – the Bay Area's state-mandated Sustainable Communities Strategy – along with longstanding goals from prior advocacy programs. Legislative priorities identified in the draft 2018 joint advocacy program include funding for affordable housing, transportation infrastructure and resiliency; updating the housing planning process; streamlining project delivery; incentivizing transit-accessible housing development; lowering the cost to produce housing; supporting infrastructure resiliency; and North Bay fire recovery. The Leg Committee provided input to a draft 2018 joint advocacy agenda in November 2017 and is expected to vote on a final 2018 advocacy agenda in January 2018. Following committee-level action, a final 2018 joint advocacy program will be considered by the ABAG Executive Board and MTC Commission.

## COMMUNICATIONS

The Communications Department worked with all departments to promote ABAG's mission and to inform and engage members. The group led a strategic campaign to expand the awareness and understanding of ABAG's programs and services and raise awareness of the benefits to local governments. The strategy was rolled out with streamlined program fact sheets and presentations before the ABAG Executive Board throughout Fall and Winter of 2016-2017.

Major efforts included production and management of regional conferences and workshops, publications, media relations, and web outreach centered on ABAG programs and services. Events included the Spring General Assembly in 2016, as well as a 2016 Special General Assembly on May 19th to discuss merger options and vote on a recommendation to the ABAG Executive Board, and a Special General Assembly in January 2017. The Communications group also worked with ABAG's Acting Executive Director and Planning staff to facilitate Delegate meetings in the region. Delegate meetings served as an important tool for information exchange and collaboration amongst cities within the counties. Communications also assisted with production of the Bay Area Confluence forum in November. Each of these events brought together more than 100 local elected officials.

In addition to facilitating these regional forums and other activities, monthly electronic newsletters with organizational updates, planning information, and program/service highlights were distributed. The revamped ABAG website was used to feature news announcements and twitter feeds. Updates on ABAG initiatives, programs, and services were consistently provided on the website. Overall outreach was expanded to facilitate better use of ABAG programs and services.

2016-17 Highlights

• Planned and coordinated General Assemblies (GA), including Special GAs in 2016 and 2017. Outreach and engagement for regional Plan Bay Area open houses in 2016 Spring/Summer.

• Produced regular news updates and twitter feeds on the ABAG website. Disseminated timely communications through extensive news blasts linking to conference proceedings and presentations.

• Also helped relaunch the ABAG Finance Authority with an all new website and collateral material.

2017-18 Goals

• Plan and coordinate General Assemblies, other regional forums, and county-wide Delegate meetings.

• Continue to expand the use of the website and social media to communicate with member cities, towns, and counties; key stakeholders; and the public. Facilitate access to ABAG programs, projects, initiatives, and resources using the website and social media.

• Continue to distribute a monthly electronic newsletter with updates and planning information. Secure media interviews with media outlets with high visibility.

## SAN FRANCISCO BAY RESTORATION AUTHORITY

The San Francisco Bay Restorations Authority (Authority) is a regional agency with a Governing Board made up of local elected officials appointed by ABAG. Its purpose is to raise and allocate local resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in San Francisco Bay and along its shoreline.

In June 2016 voters passed Measure AA to fund the Authority and provide grant funds for restoration and enhancement of San Francisco Bay and its shoreline. The Authority will begin receiving Measure AA funds in fiscal year 2017-18. As it moves to establish and finalize policies and procedures to ensure efficient and effective use of Measure AA funds, the following tasks will be emphasized:

- Develop and adopt a multi-year workplan and budget.
- Develop procedures for financial reporting and fiscal oversight.
- Develop Citizens Oversight Committee Policies.
- Develop Request for Proposals guidelines.
- Develop a model contract and contracting procedures.

## CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is intended to provide citizens, taxpayers, creditors, and stakeholders with a general overview of the Association's finances. Questions about this report may be directed to the MTC Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

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# ASSOCIATION OF BAY AREA GOVERNMENTS
## STATEMENT OF NET POSITION
### JUNE 30, 2017

| | Association of Bay Area Governments | ABAG Finance Corporation | BALANCE Foundation | Total | SF Bay Restoration Authority |
|---|---|---|---|---|---|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and Investments (Note 2): | | | | | |
| Cash and Cash Equivalents | $5,913,601 | $25,954 | $86,349 | $6,025,904 | $48,499 |
| Receivables: | | | | | |
| Federal, State and Local Grants | 16,283,817 | | | 16,283,817 | |
| Interest | 5,075 | | 529 | 5,604 | |
| Accounts | 646,592 | | | 646,592 | 324,511 |
| Prepaid Expenses and Other | 641,409 | | | 641,409 | |
| Total Current Assets | 23,490,494 | 25,954 | 86,878 | 23,603,326 | 373,010 |
| Noncurrent Assets | | | | | |
| Capital Assets, Net of Accumulated Depreciation (Note 3) | 5,860,144 | | | 5,860,144 | |
| Total Assets | 29,350,638 | 25,954 | 86,878 | 29,463,470 | 373,010 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Related to Pension (Note 8) | 6,613,550 | | | 6,613,550 | |
| Total Deferred Outflows of Resources | 6,613,550 | | | 6,613,550 | |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | 6,946,821 | | 1,000 | 6,947,821 | 596,581 |
| Retentions Payable | 1,918,534 | | | 1,918,534 | |
| Compensated Absences (Note 1E) | 46,328 | | | 46,328 | |
| Other Accrued Liabilities | 4,929,659 | | | 4,929,659 | |
| Current Portion of Long-Term Obligation (Note 4) | 82,543 | | | 82,543 | |
| Unearned Revenue | 6,115,284 | | | 6,115,284 | |
| Due to Other Agencies | | | | | 1,108,262 |
| Total Current Liabilities | 20,039,169 | | 1,000 | 20,040,169 | 1,704,843 |
| Noncurrent Liabilities | | | | | |
| Collective Net Pension Liability (Note 8) | 14,749,850 | | | 14,749,850 | |
| Net OPEB Obligation (Note 9) | 270,357 | | | 270,357 | |
| Long-Term Obligation, Net of Current Portion (Note 4) | 133,457 | | | 133,457 | |
| Total Noncurrent Liabilities | 15,153,664 | | | 15,153,664 | |
| Total Liabilities | 35,192,833 | | 1,000 | 35,193,833 | 1,704,843 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Related to Pension (Note 8) | 1,407,157 | | | 1,407,157 | |
| Total Deferred Inflows of Resources | 1,407,157 | | | 1,407,157 | |
| NET POSITION (Note 7) | | | | | |
| Net Investment in Capital Assets | 5,644,144 | | | 5,644,144 | |
| Restricted | | | | | |
| Unrestricted | (6,279,946) | 25,954 | 85,878 | (6,168,114) | (1,331,833) |
| Total Net Position | ($635,802) | $25,954 | $85,878 | ($523,970) | ($1,331,833) |

See accompanying notes to basic financial statements

ASSOCIATION OF BAY AREA GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

| | Association of Bay Area Governments | ABAG Finance Corporation | BALANCE Foundation | Total | SF Bay Restoration Authority |
|---|---|---|---|---|---|
| PROGRAM REVENUES | | | | | |
| Operating Grants and Contributions: | | | | | |
| Grants | $39,444,969 | | | $39,444,969 | |
| Subtotal | 39,444,969 | | | 39,444,969 | |
| Charges for Services: | | | | | |
| Reimbursements | 3,703,596 | $126 | $9,990 | 3,713,712 | |
| Other | 4,976,728 | | | 4,976,728 | |
| Subtotal | 8,680,324 | 126 | 9,990 | 8,690,440 | |
| Total Program Revenues | 48,125,293 | 126 | 9,990 | 48,135,409 | |
| PROGRAM EXPENSES | | | | | |
| Salaries and Related Benefits | 7,727,538 | | | 7,727,538 | |
| Consultant Services | 23,703,777 | 570 | 297,663 | 24,002,010 | $225,022 |
| Pass-through Awards | 9,215,120 | | | 9,215,120 | |
| Equipment, Maintenance and Supplies | 67,827 | | | 67,827 | |
| Outside Printing Costs | 46,074 | | 1,034 | 47,108 | 1,108,263 |
| Conference and Meeting Costs | 184,403 | | 184 | 184,587 | |
| Depreciation (Note 3) | 162,043 | | | 162,043 | |
| Building Maintenance | 325,510 | | | 325,510 | |
| Postage | 10,526 | | | 10,526 | |
| Insurance | 145,817 | | | 145,817 | |
| Telephone | 61,915 | | | 61,915 | |
| Utilities | 3,509 | | | 3,509 | |
| Committee | 91,950 | | | 91,950 | 600 |
| Other | 1,176,153 | 610 | 12,228 | 1,188,991 | 89 |
| Interest Expense | 47,329 | 13 | | 47,342 | |
| Total Program Expenses | 42,969,491 | 1,193 | 311,109 | 43,281,793 | 1,333,974 |
| Net Program Income/(Loss) | 5,155,802 | (1,067) | (301,119) | 4,853,616 | (1,333,974) |
| GENERAL REVENUES | | | | | |
| Membership Dues | 1,963,769 | | | 1,963,769 | |
| Donations - Unrestricted | 86,458 | | 64,995 | 151,453 | |
| Interest Income | 17,644 | 21 | 1,832 | 19,497 | 40 |
| Total General Revenues | 2,067,871 | 21 | 66,827 | 2,134,719 | 40 |
| Change in Net Position | 7,223,673 | (1,046) | (234,292) | 6,988,335 | (1,333,934) |
| Net Position-Beginning | (7,859,475) | 27,000 | 320,170 | (7,512,305) | 2,101 |
| Net Position-Ending | ($635,802) | $25,954 | $85,878 | ($523,970) | ($1,331,833) |

See accompanying notes to basic financial statements

ASSOCIATION OF BAY AREA GOVERNMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

| | Association of Bay Area Governments | ABAG Finance Corporation | BALANCE Foundation | Total | SF Bay Restoration Authority |
|---|---|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Grant receipts | $52,371,134 | | | $52,371,134 | |
| Receipts from customers and members | 5,520,523 | $126 | $79,054 | 5,599,703 | |
| Payments to contractors and members | (48,297,339) | (1,633) | (332,441) | (48,631,413) | |
| Payments to employees | (10,795,847) | | | (10,795,847) | |
| Payments to committees | (91,950) | | | (91,950) | |
| Other receipts (payments) | 4,976,728 | | | 4,976,728 | |
| Receipts from Other Agencies | | | | | $783,751 |
| Payment to Vendors and Consultants | | | | | (737,393) |
| Net cash flows from operating activities | 3,683,249 | (1,507) | (253,387) | 3,428,355 | 46,358 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (5,015,497) | | | (5,015,497) | |
| Sale and disposal of capital assets | 55,751 | | | 55,751 | |
| Principal repayment of long-term obligations | (77,747) | | | (77,747) | |
| Interest paid | (47,329) | (13) | | (47,342) | |
| Net cash flows from capital and related financing activities | (5,084,822) | (13) | | (5,084,835) | |
| CASH FLOWS FROM INVESTING AND RELATED FINANCING ACTIVITIES | | | | | |
| Interest received | 15,585 | 21 | 1,645 | 17,251 | 40 |
| Net cash flows | (1,385,988) | (1,499) | (251,742) | (1,639,229) | 46,398 |
| Cash and cash equivalents at beginning of year | 7,299,589 | 27,453 | 338,091 | 7,665,133 | 2,101 |
| Cash and cash equivalents at end of year | $5,913,601 | $25,954 | $86,349 | $6,025,904 | $48,499 |
| Reconciliation of operating income to net cash provided by operating activities: | | | | | |
| Net Program Income (Loss) | $5,155,802 | ($1,067) | ($301,119) | $4,853,616 | ($1,333,974) |
| Adjustments to reconcile net program loss to cash flows from operating activities: | | | | | |
| Depreciation | 162,043 | | | 162,043 | |
| Membership dues | 1,963,769 | | | 1,963,769 | |
| Donations - unrestricted | 86,458 | | 64,995 | 151,453 | |
| Interest | 47,329 | 13 | | 47,342 | |
| Change in assets and liabilities: | | | | | |
| Receivables | 12,750,984 | | 4,069 | 12,755,053 | (324,511) |
| Prepaid expenses and other assets | (315,839) | | 5,000 | (310,839) | |
| Accounts payable | (19,491,412) | (453) | (26,332) | (19,518,197) | 596,581 |
| Retentions payable | 1,918,534 | | | 1,918,534 | |
| Compensated absences | (484,339) | | | (484,339) | |
| Other accrued liabilities | 4,532,009 | | | 4,532,009 | |
| Unearned revenue | (58,119) | | | (58,119) | |
| Net OPEB obligation | (19,154) | | | (19,154) | |
| Due to retirement system | (2,564,816) | | | (2,564,816) | |
| Due to Other Agencies | | | | | 1,108,262 |
| Net cash flows from operating activities | $3,683,249 | ($1,507) | ($253,387) | $3,428,355 | $46,358 |

See accompanying notes to basic financial statements

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association of Bay Area Governments (the Association) was established in 1961 by agreement among its members—counties and cities of the San Francisco Bay Area pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et sq. The Association is a separate entity from its members and its purpose is to serve as a permanent forum to discuss and study matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters.

The Association is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions, approve the annual budget, appoint an Executive Director, and report to the General Assembly.

### *A. Reporting Entity*

The Association is a membership organization that provides a variety of planning and other service programs for its members.

The accompanying basic financial statements present the operations of the Association, which is the primary activity, along with the financial activities of its component units, which are entities for which the Association is financially accountable. Although they are separate legal entities, they are presented in the basic financial statements as either a blended component unit or discretely presented component unit.

**Blended Component Units**

Blended component units are in substance part of the Association's operations and are reported as an integral part of the Association's financial statements. The following component units are blended and are described below:

- ABAG Finance Corporation (Corporation) is a non-profit public benefit corporation created on June 24, 1985 that aids members in obtaining financing by acting as a conduit in the sponsorship of credit pooling arrangements. Participating members issue debt, leases or certificates of participation (COPs) that are pooled as a single issue by the Corporation. Members' payments are pooled to repay the debt and the assets leased become the property of the member when it has paid off its debt obligation.

  The Corporation is governed by a sub-committee of the Association's Executive Board, which establishes financing policies and approves each credit pooling arrangement.

- BALANCE Foundation (BALANCE) is a non-profit, tax-exempt corporation created on September 22, 1987, established to assist Bay Area governments in obtaining funds to study, analyze and resolve regional issues. BALANCE is governed by a Board of Directors whose appointment is controlled by the Association.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Discretely Presented Component Unit

A component unit is a legally separate organization for which elected officials of the primary entity are financially accountable. It can also be an organization whose relationship with the primary entity is such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. The Association has one discretely presented component unit, San Francisco Bay Restoration Authority.

- The San Francisco Bay Restoration Authority (Restoration Authority) was created by State legislation on September 30, 2008 to raise and allocate resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in the San Francisco Bay and along its shoreline. The Restoration Authority is governed by a board that is appointed by the Association, yet is composed of members that are different from the Association's board.

Additional financial information for each component unit can be obtained at the Restoration Authority's administrative offices at 375 Beale Street, Suite 700, San Francisco, CA 94105, to the attention of Association of Bay Area Governments.

### Other Affiliated Entities

Over the past two decades, the Association created a number of public purpose entities to offer various service programs. The financial activities of the entities are not included in these financial statements because these entities are not controlled by the Executive Board and the composition of their membership may be different than that of the Association. However, the Association has agreements with each of these entities to provide management, administrative and other support services. These entities and the service programs offered are described below:

- ABAG Pooled Liability Assurance Network (PLAN) Corporation provides risk management, liability coverage, claims management and loss prevention services for participating members of PLAN. The Association acts as PLAN's trustee, providing promotional, administrative and management support. On behalf of PLAN, the Association incurred expenses of $1,326,698 for these services, and paid $462,144 for contract services in the fiscal year ended June 30, 2017.

- ABAG Finance Authority for Non-profit Corporations (FAN) assists non-profit corporations and local governments in obtaining financing. The Association assists FAN in issuing tax-exempt debt. It also provides administrative and management support. On behalf of FAN, the Association incurred expenses of $617,505 for these services, and paid $187,413 for contract services in the fiscal year ended June 30, 2017.

- ABAG Comp Shared Risk Pool (SHARP) provides workers compensation coverage and claims management for participating members. The Association provides risk management, administrative and management support. On behalf of SHARP, the Association incurred expenses of $105,924 for these services, and paid $34,378 for contract services in the fiscal year ended June 30, 2017.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. The Association acts as POWER'S trustee, providing promotional, administrative and management support. On behalf of POWER, the Association incurred expenses of $311,920 for these services, and paid $9,800 for contract services in the fiscal year ended June 30, 2017.

### *B. Basis of Presentation*

The Association's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

***Government-wide Statements:*** The Statement of Net Position and the Statement of Activities display information about the primary reporting entity (the Association). These statements include the financial activities of the overall Association. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Association. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Association's business-type activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, (c) grants providing advances of funds that are passed through ABAG to contractors or end recipients as reimbursements or incentive payments for specified purposes and (d) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

### *C. Major Funds*

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total. The Association's major funds are presented separately in the fund financial statements.

The Association reported all its enterprise funds as major funds in the accompanying financial statements:

Association of Bay Area Governments Fund – this fund accounts for revenues and expenses of the Association.

ABAG Finance Corporation Fund – this fund accounts for revenues and expenses of the ABAG Finance Corporation.

BALANCE Foundation Fund – this fund accounts for revenues and expenses of the Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *D. Basis of Accounting*

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred,* regardless of when the related cash flows take place.

Non-exchange transactions, in which the Association gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all performance requirements have been satisfied. Expenditures in excess of reimbursement are recorded as receivables, and advanced reimbursements are recorded as unearned revenues.

The Association offers a number of service programs that are funded on a cost-reimbursement or fee-for-service basis. Discretionary funds, comprised primarily of membership dues, amount to about 3.9% of total revenues, excluding pass-through awards. Discretionary funds are used to cover certain management and administrative expenses and may occasionally be allocated to meet local match requirements as stipulated in certain grant contracts. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Association's policy is to first apply restricted grant resources to such programs, followed by unrestricted revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

### *E. Compensated Absences*

Compensated absences comprise vacations and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in the compensated absences were as follows:

| | |
|---|---|
| Balance June 30, 2016 | $530,667 |
| Additions | 319,019 |
| Payments | (803,358) |
| Balance June 30, 2017 | $46,328 |
| Due within one year | $46,328 |

As part of the merger with the Metropolitan Transportation Commission (MTC), as discussed in Note 10B, the Association's staff were consolidated under MTC's Executive Director and as part of the consolidation agreement, those employees were paid out for their accrued compensated absences as of June 30, 2017.

### *F. Estimates*

The Association's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *G. Deferred Inflows and Deferred Outflows of Resources*

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

### *H. Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

## NOTE 2 – CASH AND INVESTMENTS

Cash and investments comprised the following at June 30, 2017:

| | Association and other blended component units | SF Bay Restoration Authority | Total |
|---|---|---|---|
| *Local Agency Investment Fund* | $2,261,439 | | $2,261,439 |
| *Cash:* | | | |
| Cash in banks | 3,764,145 | $48,499 | 3,812,644 |
| Cash on hand | 320 | | 320 |
| Total Cash and Investments | $6,025,904 | $48,499 | $6,074,403 |

The Association pools cash from all sources and all funds so that it can be invested at the maximum yield, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

### A. *Investments Authorized by the Association*

The Association's Investment Policy and the California Government Code allow the Association to invest in the following, within the stated guidelines:

| Authorized Investment Type | Maximum Maturity | Minimum Credit Quality | Maximum Percentage of Portfolio | Maximum Investment in One Issuer |
|---|---|---|---|---|
| U.S. Treasury Obligations | 1 year | N/A | None | None |
| U.S. Agency Securities | 5 years | N/A | None | None |
| Bankers' Acceptances | 180 days | N/A | 40% | None |
| Commercial Paper | 180 days | A1/P1 | 10% | None |
| Investment Agreements | On Demand | N/A | None | None |
| Repurchase Agreements | 15 days | N/A | 10% | None |
| Certificates of Deposit | 3 years | N/A | 10% | 10% |
| Negotiable Certificates of Deposit | 1 year | N/A | 30% | None |
| Money Market Mutual Funds | On Demand | Top rating category | 20% | 10% |
| California Local Agency Investment Fund | On Demand | N/A | None | None |
| Investment Trust of California (CalTRUST) | On Demand | N/A | None | None |

### B. *Fair Value Hierarchy*

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Association's only investment is in the California Local Agency Investment Fund (LAIF), which is exempt from the fair value hierarchy.

## NOTE 2 – CASH AND INVESTMENTS (Continued)

### *C. Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of the Association's investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The sensitivity of the fair values of the Association's investments to market interest rate fluctuations is presented by the following maturity schedule of the Association's cash and investments:

| | 12 Months or less |
|---|---|
| Local Agency Investment Fund | $2,261,439 |
| Cash in banks | 3,812,644 |
| Cash on hand | 320 |
| Total Cash and Investments | $6,074,403 |

As of year-end, the weighted average maturity of the investments in the LAIF investment pool is approximately 194 days.

### *D. Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Association may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of the Association's cash on deposit. All of the Association's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Association's name.

### *E. Local Agency Investment Fund*

The Association is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Association reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Under California Government Code, LAIF is allowed greater investment flexibility than the Association is permitted. As such, LAIF's investment portfolio may contain investments not otherwise permitted for the Association. For funds invested in LAIF, LAIF's investment policy overrides the Association's investment policy.

## NOTE 2 – CASH AND INVESTMENTS (Continued)

### *F. Statement of Cash Flows*

For purposes of the statement of cash flows, the Association considers all highly liquid investments, including restricted investments but excluding cash with fiscal agents, with a maturity of three months or less when purchased to be cash equivalents.

## NOTE 3 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The Association's policy is to capitalize all assets with costs exceeding $5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight-line method over the estimated useful lives of assets, which are as follows:

| | |
|---|---|
| Facilities and improvements | 5 to 30 years |
| Furniture and equipment | 3 to 10 years |
| Vehicles | 5 years |
| Capitalized software | 3 to 6 years |

Capital asset balances and transactions as of June 30 are summarized below:

| | June 30, 2016 | Additions | Deletions | Transfers | June 30, 2017 |
|---|---|---|---|---|---|
| Capital assets not being depreciated: | | | | | |
| Construction in process | $800,000 | | | ($800,000) | |
| Total capital assets not being depreciated | 800,000 | | | (800,000) | |
| Capital assets being depreciated: | | | | | |
| Facilities and improvements | 3,604,147 | $4,688,962 | ($3,604,148) | 800,000 | $5,488,961 |
| Furniture and equipment | 1,100,277 | 326,535 | (696,418) | | 730,394 |
| Vehicles | 57,652 | | | | 57,652 |
| Capitalized software | 697,974 | | (472,870) | | 225,104 |
| Total capital assets being depreciated | 5,460,050 | 5,015,497 | (4,773,436) | 800,000 | 6,502,111 |
| Less accumulated depreciation for: | | | | | |
| Facilities and improvements | (3,522,933) | (45,932) | 3,568,865 | | |
| Furniture and equipment | (923,292) | (113,688) | 675,950 | | (361,030) |
| Vehicles | (57,652) | | | | (57,652) |
| Capitalized software | (693,732) | (2,423) | 472,870 | | (223,285) |
| Total accumulated depreciation | (5,197,609) | (162,043) | 4,717,685 | | (641,967) |
| Total depreciable assets | 262,441 | 4,853,454 | (55,751) | 800,000 | 5,860,144 |
| Total | $1,062,441 | $4,853,454 | ($55,751) | | $5,860,144 |

## NOTE 4 – LONG -TERM OBLIGATION

The Association's obligation issues and transactions are summarized below and discussed in detail thereafter:

| | Balance June 30, 2016 | Retirements | Balance June 30, 2017 | Current Portion |
|---|---|---|---|---|
| ***BUSINESS-TYPE ACTIVITY*** | | | | |
| **Office Improvement Project** | | | | |
| Variable rate + 1%, due 1/1/2020 | $293,747 | ($77,747) | $216,000 | $82,543 |

### A. *Installment Sales Agreement*

In January 2010, the Association entered into an installment sale agreement with ABAG Finance Authority for Non-profit Corporations (Authority) in the amount of $700,000, whereby, the Authority financed various office improvement projects to the Association. Principal and interest payments are paid monthly beginning February 1, 2010 until January 1, 2020. The agreement bears a variable interest rate at the average annual Local Agency Investment Fund's (LAIF) rate plus one percent (1.978% as of June 30, 2017). As of June 30, 2017, based on the year-end interest rate, the installment agreement obligations were as follows:

| For the Year Ending June 30 | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $82,543 | $4,272 | $86,815 |
| 2019 | 87,634 | 2,640 | 90,274 |
| 2020 | 45,823 | 906 | 46,729 |
| Total | $216,000 | $7,818 | $223,818 |

### B. *Line of Credit*

In July 2009, the Association signed a $2 million line of credit arrangement with a bank. In fiscal year 2014, the Association renewed the line of credit to mature on February 28, 2016. Interest is at a variable rate that shall not be less than 4.00% annually and is to be paid monthly. Pursuant to its agreement with the bank the Association assigned its future rents and revenues and pledged its interest in the building as collateral. On July 26, 2016, the letter of credit was extended to mature on June 30, 2017. No borrowings were made on the line of credit during fiscal year 2017 and the Association elected not to renew the line of credit after June 30, 2017.

## NOTE 5 – WINDEMERE RANCH ASSESSMENT DISTRICT SPECIAL ASSESSMENT DEBT

On behalf of Contra Costa County, the Association formed the Windemere Ranch Assessment District and the Windemere Ranch Community Facilities District in an unincorporated area of that County. The purpose of the districts was to issue debt to fund infrastructure improvements as part of the development of residential housing in the District.

Beginning in 1999 a series of bonds have been issued to provide funds for construction or to refund existing bond to provide savings from reduced interest payments Bonds have been issued in multiple series in 1999, 2000, 2002, 2004, 2007, 2014, and 2017. At June 30, 2017, outstanding bonds were:

| | |
|---|---|
| • Revenue Bonds , Senior Series 2007-A | $82,270,000 |
| • Refunding Revenue Bonds, Senior Series 2014-A | 30,225,000 |
| • Refunding Revenue Bonds, Subordinate Series 2017-A | 47,425,000 |
| • Refunding Revenue Bonds, Subordinate Series 2017-B | 12,460,000 |

These bonds are repayable out of special assessments on the parcels in the Districts, and are secured by liens on the parcels in the Districts. The Association has no obligation for the repayment of the bonds and, accordingly does not record this debt in its financial statements.

The Series 2017 A and 2017–B bonds were issued in June 2017, and total proceeds of $83,256,184.50 were deposited to an escrow account, to be used, in part, to refund the Series 2007-A bonds, on September 2, 2017.

## NOTE 6 – CONDUIT FINANCING PROGRAMS FOR MEMBERS

The Association assists members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenues and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with the Association, which acts only as a conduit in pooling each issue. For that reason, the Association has not recorded a liability for these issues. The Association sponsored the following outstanding conduit debt balances that were payable by their respective borrowers at June 30:

| Type of Financing | Unpaid balance - June 30 | |
|---|---|---|
| | 2017 | 2016 |
| Revenue Bonds | $86,175,000 | $116,880,000 |
| Certificates of Participation | 6,270,000 | 6,970,000 |
| Total | $92,445,000 | $123,850,000 |

## NOTE 7 – NET POSITION

### *A. Entity-Wide Financial Statements - Net Position*

Net Position is the excess of all the Association's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. The Association's Net Position is divided into the three captions described below:

*Net Investment in Capital Assets* is the current net book value of the Association's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of Net Position which is restricted as to use by the terms and conditions of donations received by the Association.

*Unrestricted* describes the portion of the Net Position which may be used for any Association purpose.

### *B. Net Position Deficit*

The Association has a deficit net position of $523,970 primarily due to the Association's implementation of the Governmental Accounting Standards Board Statement 68 – Accounting and Financial Reporting for Pensions.

## NOTE 8 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *A. General Information about the Pension Plan*

***Plan Description*** – All qualified permanent and probationary employees are eligible to participate in the Association's Miscellaneous Employee Pension Rate Plan. The Association's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer, which is administered by the California Public Employees' Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

## NOTE 8 – PENSION PLAN (Continued)

***Benefits Provided*** – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

| | Miscellaneous | |
|---|---|---|
| | Tier I | Tier II |
| Hire date | Prior to January 1, 2013 | On or after January 1, 2013 |
| Benefit formula | 2.5% @ 55 | 2% @ 62 |
| Benefit vesting schedule | 5 years service | 5 years service |
| Benefit payments | monthly for life | monthly for life |
| Retirement age | 50 - 67+ | 52 - 67+ |
| Monthly benefits, as a % of eligible compensation | 2.0%-2.5% | 1.0%-2.5% |
| Required employee contribution rates | 8.00% | 6.25% |
| Required employer contribution rates | 9.498% | 6.555% |

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Association's required contribution for the unfunded liability and side fund was $1,171,667 in fiscal year 2017.

***Contributions*** – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Association is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions to the Plan were as follows:

| | Miscellaneous Plan |
|---|---|
| Contributions - employer | $2,744,108 |

## NOTE 8 – PENSION PLAN (Continued)

### *B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions*

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net positon of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the Association reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

| | Proportionate Share of Net Pension Liability |
|---|---|
| Miscellaneous Tier I & II | $14,749,850 |
| Total Net Pension Liability | $14,749,850 |

The Association's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Association's proportion of the net pension liability was based on a projection of the Association's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Association's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

| | Miscellaneous Plan |
|---|---|
| Proportion - June 30, 2015 | 0.4738% |
| Proportion - June 30, 2016 | 0.4246% |
| Change - Increase (Decrease) | -0.0492% |

## NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2017, the Association recognized pension expense of $179,282. At June 30, 2017, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Miscellaneous Plan | |
|---|---|---|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Contributions made after the measurement date | $2,744,108 | |
| Differences between actual and expected experience | 56,382 | ($12,919) |
| Changes in assumptions | | (533,423) |
| Net differences in actual contributions and proportionate contributions | 139,355 | (460,384) |
| Net differences between projected and actual earnings on pension plan investments | 2,776,289 | |
| Adjustments due to differences in proportion | 897,416 | (400,431) |
| Total | $6,613,550 | ($1,407,157) |

Deferred outflows of $2,744,108 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Miscellaneous Plan | |
|---|---|
| Year Ended June 30 | Annual Amortization |
| 2018 | $359,897 |
| 2019 | 346,393 |
| 2020 | 1,036,903 |
| 2021 | 719,092 |

## NOTE 8 – PENSION PLAN (Continued)

***Actuarial Assumptions*** – For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

| | Miscellaneous Plan |
|---|---|
| Valuation Date | June 30, 2015 |
| Measurement Date | June 30, 2016 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.65% |
| Inflation | 2.75% |
| Payroll Growth | 3.0% |
| Investment Rate of Return | 7.5% (2) |
| Salary Increases | Varies by Entry Age and Service |
| Mortality Rate Table (1) | Derived using CalPERS' Membership Data for all Funds |

(1) The mortality table used was developed based on CalPERS' specific data. The table includes 10 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS' website.

(2) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

***Change of Assumptions*** – There were no changes of assumptions.

## NOTE 8 – PENSION PLAN (Continued)

***Discount Rate*** – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

## NOTE 8 – PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

| Asset Class | New Strategic Allocation | Real Return Years 1 - 10(a) | Real Return Years 11+(b) |
|---|---|---|---|
| Global Equity | 51% | 5.25% | 5.71% |
| Private Equity | 20% | 0.99% | 2.43% |
| Global Fixed Income | 6% | 0.45% | 3.36% |
| Liquidity | 10% | 6.83% | 6.95% |
| Real Assets | 10% | 4.50% | 5.13% |
| Inflation Sensitive Assets | 2% | 4.50% | 5.09% |
| Absolute Return Strategy (ARS) | 1% | -0.55% | -1.05% |
| Total | 100% | | |

(a) An expected inflation of 2.5% is used this period.
(b) An expected inflation of 3.0% is used this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***
The following presents the Association's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

| | Miscellaneous Plan |
|---|---|
| 1% Decrease | 6.65% |
| Net Pension Liability | $20,792,989 |
| Current Discount Rate | 7.65% |
| Net Pension Liability | $14,749,850 |
| 1% Increase | 8.65% |
| Net Pension Liability | $9,755,496 |

***Pension Plan Fiduciary Net Position*** – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

## NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS

The Association follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB).

By Board resolution and through agreements with its labor unit, the Association provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of these benefits is shown below:

**Benefit Summary:**

| | | |
|---|---|---|
| Eligibility | Service or disability retirement<br>Age 50 & 5 years service<br>Disability retire directly from ABAG under CalPERS | |
| Benefit:<br>Tier 1<br>Hired < 7/1/2009 | Retired < 9/1/94- 100% of Kaiser single basic premium<br>Retired ≥ 9/1/94 -100% of Kaiser 2-party basic premium<br>Basic/Supplemental Medicare premium for pre/post 65<br>PEMHCA administration fee paid by ABAG | |
| Tier 2<br>Hired ≥ 7/1/2009 | PEMHCA minimum<br>PEMHCA administration fee paid by ABAG | |
| Medical After Retirement (MARA) | Tier 1<br>One time only option to enroll<br>Must opt out of defined benefit medical plan<br>ABAG contributes PEMHCA minimum if opt in MARA<br>Open enrollment for MARA ended in 2013 | Tier 2<br>Must enroll in MARA<br>ABAG contributes $100/month to an individual MARA account for each non-management employee<br>ABAG contributes $200/month to an individual MARA account for each management employee<br>MARA not included in the OPEB evaluation |
| Medicare B Reimbursement[1] | Retired < 9/1/94 - 100% for retiree<br><br>Retired ≥ 9/1/94 -100% for retiree and spouse | None |
| Surviving Spouse of Retiree | Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity | |

[1] Tier 1 reflects January 1, 2015 plan amendment. Pre-amendment benefit does not include Medicare B Reimbursement.

As of June 30, 2017, approximately 13 participants were eligible to receive benefits.

## NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

### Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3.00% general inflation and (d) 5.0 – 7.2% health trend increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Association's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 20 year closed amortization period.

In accordance with the Association's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Association's Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of Association Board. This Trust is not considered a component unit by the Association and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

## NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

### Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2017, the Association contributed $756,154 which represented 11.50% of the $6,573,000 of covered payroll. As a result, the Association has recorded the Net OPEB Obligation, the difference between the ARC and actual contributions, as presented below:

| | |
|---|---|
| Net OPEB Obligation June 30, 2016 | $289,511 |
| Annual required contribution (ARC) | 809,000 |
| Interest on net OPEB obligation | 19,000 |
| Implied subsidy | (72,000) |
| Adjustment to annual required contribution | (19,000) |
| Annual OPEB cost | 737,000 |
| Contributions made: | |
| Contributions to CERBT | 289,511 |
| Association's portion of current year premiums paid | 466,643 |
| Total contributions | 756,154 |
| Change in net OPEB Liability | (19,154) |
| Net OPEB Obligation June 30, 2017 | $270,357 |

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

| Fiscal Year | Annual OPEB Cost (AOC) | Actual Contributions | Percentage of AOC Contributed | Net OPEB Obligation |
|---|---|---|---|---|
| 6/30/2015 | $695,675 | $893,874 | 128% | $401,777 |
| 6/30/2016 | 674,490 | 786,756 | 117% | 289,511 |
| 6/30/2017 | 737,000 | 756,154 | 103% | 270,357 |

## NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

### *A. Federal and State Grant Programs*

The Association participates in Federal and State grant programs. These programs have been audited by the Association's independent accountants through the fiscal year ended June 30, 2017 in accordance with the provisions of the Federal Single Audit Act, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Association expects such amounts, if any, to be immaterial.

### *B. Staff Consolidation*

On May 19, 2016 and May 25, 2016, the governing bodies of ABAG and the Metropolitan Transportation Commission (MTC) voted to support full functional staff consolidation of the two agencies under the leadership of MTC Executive Director Steve Heminger, with future governance options to be discussed by the two boards two years after implementing the consolidation of staff.
On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and the consolidated MTC/ABAG staff will perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP) that had been previously performed by the ABAG staff. The newly created position of Deputy Executive Director for Local Government Services reports to the MTC Executive Director. ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission, along with all of its statutory roles and responsibilities as the region's Council of Governments.

On July 1, 2017 all members of the ABAG staff, excluding the ABAG Legal Counsel, who retires January 5, 2018, were merged into the staff of MTC as new employees of MTC.

ABAG and the LCPs will continue to prepare annual budgets and work plans that are to be approved by the applicable MTC, ABAG and LCP policy bodies. ABAG shall retain ownership of all its existing assets and remains responsible for its outstanding liabilities, including unfunded pension liabilities and retiree medical for former ABAG employees who are now retired.

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## Required Supplemental Information

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# ASSOCIATION OF BAY AREA GOVERNMENTS
# REQUIRED SUPPLEMENTAL INFORMATION
# For the Year Ended June 30, 2017

**Association of Bay Area Governments, a Cost-Sharing Defined Pension Plan**
**As of fiscal year ending June 30, 2017**
**Last 10 Years***

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

| Measurement Date | Miscellaneous Tier I & II 2014 | Miscellaneous Tier I & II 2015 | Miscellaneous Tier I & II 2016 |
|---|---|---|---|
| Plan's Proportion of the Net Pension Liability/Asset | 0.4744% | 0.4738% | 0.4246% |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) | $11,357,673 | $12,998,297 | $14,749,850 |
| Plan's Covered Payroll | $6,847,411 | $6,198,473 | $6,036,594 |
| Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll | 165.87% | 209.70% | 244.34% |
| Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability | 65.6496% | 69.2285% | 67.1398% |

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**Association of Bay Area Governments, a Cost-Sharing Defined Pension Plan**
**As of fiscal year ending June 30, 2017**
**Last 10 Years***
**SCHEDULE OF CONTRIBUTIONS**

| Fiscal Year Date | Miscellaneous Tier I & II Fiscal Year 2014-2015 | Miscellaneous Tier I & II Fiscal Year 2015-2016 | Miscellaneous Tier I & II Fiscal Year 2016-2017 |
|---|---|---|---|
| Actuarially determined contribution | $1,305,738 | $491,374 | $2,744,108 |
| Contributions in relation to the actuarially determined contributions | (1,305,738) | (491,374) | (2,744,108) |
| Contribution deficiency (excess) | $0 | $0 | $0 |
| Covered payroll | $6,198,473 | $6,036,594 | $5,832,772 |
| Contributions as a percentage of covered payroll | 18.06% | 8.14% | 47.05% |
| **Notes to Schedule** | | | |
| Valuation date: | 6/30/2013 | 6/30/2014 | 6/30/2015 |

Methods and assumptions used to determine contribution rates:

| | | | |
|---|---|---|---|
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percentage of payroll, closed | Level percentage of payroll, closed | Level percentage of payroll, closed |
| Remaining amortization period | 30 years | 30 years | 30 years |
| Asset valuation method | 5-year smoothed market | 5-year smoothed market | 5-year smoothed market |
| Inflation | 2.75% | 2.75% | 2.75% |
| Salary increases | Varies by Entry Age and Service | Varies by Entry Age and Service | Varies by Entry Age and Service |
| Investment rate of return | 7.5%, net of pension plan investment and administrative expenses, including inflation | 7.65%, net of pension plan investment and administrative expenses, including inflation | 7.65%, net of pension plan investment and administrative expenses, including inflation |
| Retirement age | 55 yrs. Misc., 62 yrs. Tier 2 | 55 yrs. Misc., 62 yrs. Tier 2 | 55 yrs. Misc., 62 yrs. Tier 2 |
| Mortality | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB. | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA. | The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA. |

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Association of Bay Area Governments, Other Post Employment Benefits
As of fiscal year ending June 30, 2017
Last 3 Valuations

**SCHEDULE OF FUNDING CONTRIBUTIONS**

| | Actuarial | | | | | |
|---|---|---|---|---|---|---|
| Valuation Date | Value of Assets | Accrued Liability | Unfunded Accrued Liability | Funded Ratio | Covered Payroll | Unfunded (overfunded) Actual Liability as % of Covered Payroll |
| 6/30/2011 | $1,226,000 | $6,684,000 | $5,458,000 | 18.34% | $6,684,000 | 81.7% |
| 6/30/2013 | 2,754,000 | 7,675,000 | 4,921,000 | 35.88% | 6,871,000 | 71.6% |
| 6/30/2015 | 4,637,000 | 9,913,000 | 5,276,000 | 46.78% | 6,366,000 | 82.9% |

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# ASSOCIATION OF BAY AREA GOVERNMENTS

## SINGLE AUDIT REPORT
## FOR THE YEAR ENDED JUNE 30, 2017

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**ASSOCIATION OF BAY AREA GOVERNMENTS**

**SINGLE AUDIT REPORT**
**For The Year Ended June 30, 2017**

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ASSOCIATION OF BAY AREA GOVERNMENTS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS
**For The Year Ended June 30, 2017**

### SECTION I—SUMMARY OF AUDITOR'S RESULTS

***Financial Statements***

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes _X_ No
- Significant deficiency(ies) identified? ___ Yes _X_ None Reported

Noncompliance material to financial statements noted? ___ Yes _X_ No

***Federal Awards***

Internal control over major federal programs:

- Material weakness(es) identified? ___ Yes _X_ No
- Significant deficiency(ies) identified? ___ Yes _X_ None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes _X_ No

Identification of major programs:

| CFDA#(s) | Name of Federal Program or Cluster |
|---|---|
| 66.126 | The San Francisco Bay Water Quality Improvement Fund |
| 97.045 | Cooperating Technical Partners |

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? _X_ Yes ___ No

## SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 20, 2017 which is an integral part of our audits and should be read in conjunction with this report.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

ASSOCIATION OF BAY AREA GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Identifying Number | Pass-Through To Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| Department of Interior **Direct** Programs: | | | | |
| Earthquake Hazards Program Assistance | | | | |
| Bay Area Vulnerable Housing Guide | 15.807 | | | $3,322 |
| Program Subtotal | | | | 3,322 |
| U.S. Geological Survey - Research and Data Collection | | | | |
| 2016 Bay-Delta Science Conference Linking Data and Decision | 15.808 | | | 90,000 |
| Haywired Scenario | 15.808 | | | 11,322 |
| Program Subtotal | | | | 101,322 |
| Subtotal Department of Interior **Direct Programs** | | | | 104,644 |
| Department of Interior **Pass - Through** Programs: | | | | |
| California Department of Parks & Recreation | | | | |
| Clean Vessel Act Program | 15.616 | C8957407 | | 123,105 |
| Clean Vessel Act Education and Outreach Grant Program | 15.616 | C8957414 | | 58,171 |
| Subtotal Department of Interior **Pass - Through** Programs | | | | 181,276 |
| Total Department of Interior Programs | | | | 285,920 |
| Department of Transportation **Pass - Through** Programs: | | | | |
| Pass - Through the Metropolitan Transportation Commission | | | | |
| Highway Planning and Construction Programs: | | | | |
| Information Analysis and Planning Services | 20.205 | Not Available | | 2,500,000 |
| Total Department of Transportation **Pass - Through** Programs | | | | 2,500,000 |
| U.S. Environmental Protection Agency **Direct** Programs: | | | | |
| Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act | | | | |
| EPA Estuary 2100 | 66.436 | | $216,698 | 279,006 |
| Brownfields Assessment and Cleanup Cooperative Agreements | | | | |
| Brownfields Assessment and Cleanup | 66.818 | | | 12,710 |
| National Estuary Program | | | | |
| EPA FY 13-14 Estuary | 66.456 | | 146,306 | 815,824 |
| Regional Wetland Program Development Grant | | | | |
| Aquatic Science Center Contract II | 66.461 | | | 22,155 |
| Congressionally Mandated Projects | | | | |
| Estuary 2100 Phase II | 66.202 | | 293,294 | 329,407 |
| The San Francisco Bay Water Quality Improvement Fund: | | | | |
| Healthy Watersheds, Resilient Baylands | 66.126 | | 140,199 | 158,391 |
| Flood 2.0 - Rebuilding Habitat & Shoreline Resilience | 66.126 | | 423,132 | 452,108 |
| Greener Pesticides for Cleaner Waterways | 66.126 | | | 93,850 |
| EPA Mercury CPR | 66.126 | | 154,061 | 186,166 |
| Urban Greener Bay Area | 66.126 | | 333,594 | 408,835 |
| Suisun Marsh Water Quality Monitoring Project | 66.126 | | | 278,776 |
| Program Subtotal | | | 1,050,986 | 1,578,126 |
| Subtotal U.S. Environmental Protection Agency **Direct** Programs | | | 1,707,284 | 3,037,228 |

(Continued)

ASSOCIATION OF BAY AREA GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Pass-Through Identifying Number | Pass-Through To Subrecipients | Federal Expenditures |
|---|---|---|---|---|
| U.S. Environmental Protection Agency **Pass - Through** Programs | | | | |
| California State Water Resources Control Board | | | | |
| Capitalization Grants for Clean Water States Revolving Funds | | | | |
| SRF Unified Bay & Delta Reporting | 66.458 | 14-818-550 | 84,651 | 160,445 |
| Subtotal U.S. Environmental Protection Agency **Pass - Through** Programs | | | 84,651 | 160,445 |
| Total U.S. Environmental Protection Agency Programs | | | | 3,197,673 |
| U.S. Department of Energy **Direct** Program | | | | |
| Conservation Research and Development | | | | |
| San Francisco BayREN (BRICR) | 81.086 | | | 3,107 |
| Subtotal U.S. Department of Energy **Direct** Program | | | | 3,107 |
| Department of Homeland Security **Direct** Programs | | | | |
| Cooperating Technical Partners | | | | |
| Regional Resilience Plan | 97.045 | | | 496,143 |
| FY 2015 Community Engagement and Risk Communication | 97.045 | | | 188,487 |
| Total Department of Homeland Security **Direct** Programs | | | | 684,630 |
| Total Expenditures of Federal Awards | | | $1,791,935 | $6,671,330 |

See Accompanying Notes to Schedule of Expenditures of Federal Awards

ASSOCIATION OF BAY AREA GOVERNMENTS

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
**For The Year Ended June 30, 2017**

### NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Association of Bay Area Governments, San Francisco, California and its component units as disclosed in the notes to the Basic Financial Statements.

### NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

### NOTE 3 – INDIRECT COST ELECTION

The Association has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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# INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Members of the Board of Directors
Association of Bay Area Governments (Association),
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the Association as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 20, 2017. Our report included an emphasis of a matter paragraph disclosing the merger of the Association into Metropolitan Transportation Commission as of July 1, 2017.

## *Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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### *Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Associates

Pleasant Hill, California
December 20, 2017

MAZE & ASSOCIATES

# INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Members of the Board of Directors
Association of Bay Area Governments (Association),
San Francisco, California

***Report on Compliance for Each Major Federal Program***

We have audited the Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2017. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

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*Report on Internal Control Over Compliance*

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### *Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance*

We have audited the financial statements of the the business-type activities and the aggregate discretely presented component unit and each major fund of the Association as of and for the year ended June 30, 2017, and have issued our report thereon dated December 20, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 8, 2018

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# ASSOCIATION OF BAY AREA GOVERNMENTS
# MEMORANDUM ON INTERNAL CONTROL
# AND
# REQUIRED COMMUNICATIONS

**FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSOCIATION OF BAY AREA GOVERNMENTS**
**MEMORANDUM ON INTERNAL CONTROL**
**AND**
**REQUIRED COMMUNICATIONS**

**For The Year Ended June 30, 2017**

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# MEMORANDUM ON INTERNAL CONTROL

To the Executive Board of the
Association of Bay Area Governments
San Francisco, California

In planning and performing our audit of the basic financial statements of the Association of Bay Area Governments (Association) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Executive Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
December 20, 2017

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## MEMORANDUM ON INTERNAL CONTROL

## SCHEDULE OF OTHER MATTERS

**The following pronouncements are effective in fiscal year 2017/18:**

**GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions***

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

## MEMORANDUM ON INTERNAL CONTROL

## SCHEDULE OF OTHER MATTERS

**GASB 81 –** ***Irrevocable Split-Interest Agreements***

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

***How the Changes in This Statement Improve Financial Reporting***

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

REQUIRED COMMUNICATIONS

To the Executive Board of the
Association of Bay Area Governments
San Francisco, California

We have audited the basic financial statements of the Association of Bay Area Governments (Association) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, Government Auditing Standards and Uniform Guidance.

**Significant Audit Findings**

***Accounting Policies***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following Governmental Accounting Standards Board (GASB) pronouncements became effective and did not have a material effect on the financial statements:

**GASB 73 –** ***Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***

**GASB 74 –** ***Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans***

**GASB 77 –** ***Tax Abatement Disclosures***

**GASB 80 –** ***Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14***

***GASB 82 –*** ***Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73***

***Unusual Transactions, Controversial or Emerging Areas***

We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.



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### *Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Association's financial statements were:

> *Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources:* Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Association. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Net OPEB Liability:* Management's estimate of the net OPEB obligation is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Association. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimated Fair Value of Investments:* As of June 30, 2017, the Association held approximately $6 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.
>
> *Estimate of Depreciation:* Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Estimate of Compensated Absences:* Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hoaurs and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1E to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.
>
> *Unbilled Receivables:* The Association has recorded unbilled receivables approximating $5.4 million. Actual billings and the ultimate collections may vary from this estimate.

### *Disclosures*

The financial statement disclosures are neutral, consistent, and clear.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Executive Board.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in a management representation letter dated December 20, 2017.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Other Information Accompanying the Financial Statements**

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

******

This information is intended solely for the use of Executive Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
December 20, 2017

Date: January 11, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Approval of Contract—Business Insurance Broker, Consultation Third Party Insurance Certificate Management Services—USI Insurance Services**

The ABAG Finance Committee is requested to recommend ABAG Executive Board approval to enter into a contract with USI Insurance Services to provide business insurance brokerage and consulting.

**Background**

In July 2017, ABAG and MTC issued a Request for Proposal (RFP) for business insurance broker services to secure coverage as required by ABAG and the LCP's ("Agencies") to protect their assets for loss and other exposures, and to provide insurance consulting services. See Attachment A, for a full list of the current LCP's included in the coverage.

An RFP notification was sent to more than fifty-six contacts, with three firms submitting proposals. A panel evaluated all three firms based on the following criteria:

1. Experience in relevant insurance brokerage and consulting services, including public agency experience (40%);
2. Professional background of staff (30%);
3. Service approach and responsiveness to clients (based in part on references) (20%); and
4. Cost (10%)

Based on the evaluation panel's results, staff recommends USI for its industry-recognized expertise demonstrated by 1) an extensive experience serving local transit agencies including BART, Peninsula Corridor Joint Powers Board (CalTrain) and Golden Gate Bridge, Highway and Transportation District; 2) a thorough understanding of the Agencies' risk profiles, including a robust risk transference program for third-party contracting; 3) cost-conscious commission structure inclusive of services from coverage renewals to claims advocacy, risk control with site inspections, and comprehensive, expert consultation on risk management, contracting and risk evaluation; and 4) prior assistance with third-party contracts and assisting with obtaining vendor compliance with the required insurance provision.

Staff was informed that USI formally acquired Wells Fargo Insurance on November 30, 2017. The pending purchase of Wells Fargo Insurance by USI was documented in detail in the proposal, including affirmation that policies and coverages would not be affected; the staff proposed as the MTC service team will not change; and the executive management (Chairman/CEO and President) will not change.

**Scope of Work**. USI will provide the following services:

I. Business Insurance Brokerage Services. Commission paid by each insurance carrier directly to USI (estimated at 10-15% of premiums) for the services, including but not limited to evaluating the current insurance programs to ensure adequate insurance protection at optimum costs, underwriting information and marketing strategy for various insurance programs, including the recommended coverage, deductible and self-retention levels; marketing the existing insurance programs; obtaining quotations and evaluating coverage options; reviewing recommendations for placement of insurance program with staff and binding approved coverages and maintaining policies throughout the coverage period; investigating rights of the insured agencies; and reviewing and processing, as appropriate, business insurance claims, invoices, underwriters' audits and other documents on behalf of the insured agencies.

II. Third Party Insurance Certificate Management Services. Review the insurance provisions included in all third-party contracts issued and support oversight of contractor compliance with these provisions, and provide assistance with maintaining the web-based database of all third-party contracts.

III. Consulting Services. Provide consulting services, as needed, responding within 24 hours when required, on insurance levels, contract reviews, requests for insurance waivers, surety bonding and letters of credit requirements, specific requirements for unique projects, and assist with implementation of self-insurance programs, including any claims processing and subrogation assistance as necessary.

**Recommended Action**

The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization of the Executive Director of the Metropolitan Transportation Commission, or his designee, to negotiate and enter into a contract with USI on behalf of the Agencies for the period of January 16, 2018 through December 31, 2020, with the option to extend for three (3) additional years, at increments of ABAG's choosing as follows:

1. To provide business insurance brokerage, risk assessment and management, and consultation on a commission basis (received from insurers in an amount of approximately 10-15%). The cost for subsequent FYs is subject to the adoption of the annual operating budget.
2. To issue payment(s) to secure the appropriate business insurance policies at the annual renewal period as recommended by USI, up to the amount set aside in the applicable FY operating budget for business insurance renewal expenses. This amount will be determined when premium amounts are received from carriers; the amount per fiscal year will not exceed the amount set aside in the operating budget for business insurance renewal expenses.

The Agencies will reimburse ABAG for their respective shares of the total cost of insurance services.

Steve Heminger

**Attachment**:
Local Collaboration Programs

## Attachment A

**ABAG** is a joint powers authority agency that serves formed by the cities and counties of the Bay Area as the region's Council of Governments and with the statutory responsibilities and powers granted by the California Legislature including, but not limited to, (a) responsibility for preparation of portions of the region's sustainable communities strategy, and (b) authority to adopt the regional housing need allocation (RHNA) plan.

**The following ABAG affiliated agencies are Local Collaboration Programs (LCPs):**

The **ABAG Finance Authority for Nonprofit Corporations (FAN)** is a joint powers authority created to assist nonprofit corporations and other entities to obtain financing for projects and purposes serving the public interest.

The **ABAG Finance Corporation (Finance Corp)** is a California nonprofit corporation created to assist nonprofit corporations and other entities to lease finance personal property and improvements on real property for projects serving the public interest.

**ABAG. Inc.** is a California nonprofit corporation created to lessen the burdens of government and improve government efficiency and cost effectiveness by educating officials, employees and the public on a variety of topics and through various means.

The **ABAG Publicly Owned Energy Resources (POWER)** is a joint powers authority created to acquire energy including, but not limited to, natural gas and electricity, and of telecommunications services, and such other services and goods as may be necessary or convenient to optimize costs savings and to manage the use or the supply of energy or telecommunications services.

The **Advancing California Finance Authority (ACFA)** is a joint powers authority anticipated to be created in the near future to serve as an issuer of bonds for the benefit of the public and private entities in implementing projects in the public interest and to provide financial resources to ABAG in support of ABAG's mission and responsibilities.

The **BALANCE Foundation (BALANCE)** is a California nonprofit corporation created to receive funds to perform, or to permit regional governmental agencies in the San Francisco Bay Area to perform, studies to identify and/or analyze regional or subregional problems and to develop and implement actions to encourage or assist the resolution of regional and subregional problems as identified by ABAG.

The **San Francisco Bay Trail Project (Bay Trail)** is a California nonprofit corporation created to develop a broad base of support for the San Francisco Bay Trail and to provide access along the shoreline and to enhance public appreciation of the San Francisco and San Pablo Bays.

The **San Francisco Bay Restoration Authority (SFBRA)** was created by statute in 2008 as a regional entity to generate and allocate resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. ABAG appoints the seven members of SFBRA's Governing Board.

ASSOCIATION OF BAY AREA GOVERNMENTS
Representing City and County Governments of the San Francisco Bay Area

ABAG

# AGENDA

## REGIONAL PLANNING COMMITTEE

Wednesday, December 6, 2017, 1:00 p.m. to 3:00 p.m. (Lunch 12:45 p.m.)

Location:

Bay Area Metro Center
375 Beale Street
Yerba Buena Conference Room
San Francisco, California

Committee Staff:

Steve Heminger, Executive Director

*The ABAG Regional Committee may act on any item on this agenda.*

*Agenda and attachments available at abag.ca.gov*

*For information, contact Wally Charles, ABAG Planning and Research, at (415) 820-7993.*

**1. CALL TO ORDER / CONFIRM QUORUM**

**2. PUBLIC COMMENT**

INFORMATION

**3. APPROVAL OF SUMMARY MINUTES OF OCTOBER 4, 2017**

ACTION

*Attachment:*

1. *Summary Minutes of October 4, 2017*

**4. ANNOUNCEMENTS**

INFORMATION

## 5. SESSION OVERVIEW

INFORMATION

Ken Kirkey, Planning Director will provide an overview of the meeting, other relevant Integrated Regional Planning Program projects and activities and upcoming meetings.

## 6. CONTEXTUAL OVERVIEW OF KEY ASPECTS OF THE BAY AREA HOUSING CRISIS

INFORMATION

### A. DISPLACEMENT AND ANTI-DISPLACEMENT POLICY LANDSCAPE

Miriam Zuk, Director of the Center for Community Innovation and the Urban Displacement Project, University of California Berkeley, will present an overview of gentrification and displacement in the Bay Area, including typology maps, explanation of drivers, impacts on households and communities, as well as a conceptual framework for protection and preservation policies, and a picture of the distribution of anti-displacement policy tools being implemented today in the Bay Area. Finally, the presentation will cover how we can leverage investment and development to improve communities without displacing long-term residents, highlighting examples of the inclusion of anti-displacement measures in large-scale, positive urban investments.

*Attachment:*

1. Summary of Presentation
2. Anti-Displacement Policy Landscape

### B. THE FINANCIAL REALITIES OF BUILDING HOUSING IN THE BAY AREA

Carol Galante, Faculty Director of the Terner Center for Housing Innovation, University of California Berkeley, will present [the current state of housing production and the need to build more homes and reduce costs. To illustrate] the challenges and financial realities facing both market rate and affordable developers, Terner will also present findings from two prototypical development pro formas, as well as discuss the effect specific policy changes could have on these scenarios.

*Attachment:*

1. Summary of Presentation
2. Financial Realities of Building Housing

### C. QUESTIONS & ANSWERS

**7. 2018 DRAFT ADVOCACY PROGRAM**

INFORMATION

Rebecca Long, Principal legislative Analyst, will present a draft joint advocacy program for consideration for adoption by MTC and ABAG in January 2018.

*Attachment: Memo*

1. 2018 Draft Advocacy Program

**8. ADJOURNMENT**

The next regular meeting of the ABAG Regional Planning Committee will be on February 7, 2018.

Submitted: 11/28/2017