

# Report on ABAG to MCCMC

November 16, 2016

**HOLD THE DATE: JANUARY 19, 2017 (estimated start time 10:00am) – GENERAL ASSEMBLY to discuss ABAG/MTC Merger and Preferred Scenario for PBA 2040**

**PLAN BAY AREA 2040:** ABAG and MTC received 63 letters from local governments, transportation agencies, stakeholder organizations and individuals. The comments with initial staff responses are posted at <http://planbayarea.org/your-part/your-comments.html>. Staff will provide formal responses to all commenters by the end of December.

The comments reflected a range of issues on the Draft Preferred Scenario including, but not limited to: concern about the proposed household and job projections, use of the UrbanSim model, effect of housing and employment distribution on the efficiency, reliability, and resiliency of the transportation network, concern about the Plan Bay Area's (PBA) level of investments in transit, express lanes active transportation, investments benefiting lower-income communities, investments in infrastructure (streets, roads, highways), etc. After reviewing the comments, ABAG/MTC revised the Final Preferred Scenario modifying the:

- 1) Household and job growth distribution – The Big 3 cities received a higher share of employment growth (43% vs 40% in the draft); and, household growth (46% vs 43% in the draft).
- 2) More balanced household/jobs ratios – Slightly increased share of employment growth in the Inland Coastal and Delta communities (17% vs 14% in the draft) and a lower share of employment growth in Bayside communities (40% vs 46% in draft).
- 3) PDA household growth will be 77% (vs 75% in the draft scenario). This is still a decrease from the PBA 2013 which provided for 80% household growth in the PDAs. Job growth in the PDAs will be 55% (vs 50% in the draft scenario). This is still a decrease from the PBA 2013 which provided for 70% job growth in the PDAs.

**NOTE: The household and job projections for some Marin cities and counties are different in the Final Preferred Scenario.**

For transportation investments, the final preferred scenario continues to focus largely on maintenance and modernization of the existing system, as opposed to expanding it via roadway capacity expansion or extension of fixed guideway transit.

The Final Preferred Scenario meets 5 performance targets but falls short on 3 targets (as did the draft scenario). This underscores the challenges facing the Region of lack of affordable housing and increased displacement. It was emphasized that the lower-income communities will be hit the hardest over the coming years. This will be a priority topic as part of the PBA Implementation in 2017.

On November 17, 2016 the ABAG Executive Board and the MTC are scheduled to take action on the Final Preferred Scenario which will be subject to an environmental assessment pursuant to CEQA. In December or January, the ABAG Administrative and MTC Planning Committees will meet to discuss the alternatives to be studied in the environmental documents.

**ABAG MTC MERGER IMPLEMENTATION ACTION PLAN:** On October 28, 2016, the ABAG Administrative and MTC Planning Committees received an update on the Implementation Action Plan (IAP) approved in June 2016 which calls for a sequence of some 40 actions over the next five months or so to implement "Option 7" which provides for full functional consolidation of ABAG and MTC staff and the pursuit of new governance options.

The due diligence confirmed the following findings: 1) 85% of ABAG's revenue comes from MTC, the PUC, and other State and Federal grants. 2) Pension costs will increase for both MTC and ABAG staff. The ABAG unfunded liability will stay with ABAG. 3) Current grant contracts do not allow for modifications for reimbursement of overhead charges or pass-through budgets—most contracts run through FY17 or FY18 with some extending to FY20 and

beyond. 4) Under the current system, individual project managers oversee ongoing grants monitoring, invoicing, and lifecycle disbursement with little oversight or direction from ABAG Management or Finance team. 5) ABAG currently has 72 authorized employee positions of which 55 are represented by SEIU. 12 positions are program managers and there are 5 positions that comprise the executive management team.

The revenue assumptions being made by MTC are: 1) Contracts with outside agencies will grow with the increases in personnel and operating costs to ensure full cost recovery. 2) For ABAG's service programs, all JPAs will provide continued payment at FY17 levels for administrative services. 3) ABAG Conference Services will grow with cost of conferences. 4) Other revenue either no growth or grow at CPI. 5) ABAG Membership dues increase at CPI.

Plan of Action includes:

- 1) All ABAG employees will become MTC employees which will increase MTC's cost since the MTC salary and benefits are significantly higher than ABAG. Also, MTC currently provides for retiree health care (which ABAG does not provide). With the merger, all ABAG staff will be provided retiree health care with years of service credit. **This results in an increase of personnel expenses by \$2.6M per year with the move to MTC.**
- 2) ABAG remains separate agency and contracts with MTC for program services.
- 3) ABAG maintains assets and liabilities along with OPEB trust for retiree health payments.

**With the merger, MTC's model shows that the consolidation could put significant financial pressure on MTC unless adjustments are initiated—projected cumulative \$15M deficit by FY23.**

Through December, ABAG/MTC will complete the due diligence review; continue development the "Contract for Services" which will be the governing document on how ABAG and MTC successfully work together to ensure ABAG's mission and obligations are met with its members, grantors, partners, and ABAG entities.; and, since this will take additional time than originally planned, MTC will extend the ABAG Funding Agreement through March 2017.

In early 2017 (MTC has scheduled it for January), ABAG and MTC will consider approval of the Contract for Services and MOU after which the ABAG staff would move to MTC. ABAG will still serve as the region's Council of Governments (COG), while MTC will continue to serve as the region's Metropolitan Planning Organization (MPO). ABAG's Executive Board and its committees will still convene their regular meetings, as will MTC's Commission and its standing committees.

#### **UPCOMING MEETINGS:**

- **November 16, 2016** – MTC meeting
- **November 17, 2016** - Joint ABAG/MTC meeting to take action on the Revised Preferred Scenario and initiation of the Draft Environmental Impact Report.
- **December 7, 2016** – ABAG Regional Planning Committee
- **December 9, 2016** - Joint ABAG Administrative and MTC Planning meeting
- **January 19, 2017** – ABAG General Assembly

Please direct questions to Pat Eklund, Mayor, City of Novato (phone: 415-883-9116; email: [peklund@novato.org](mailto:peklund@novato.org) or [pateklund@comcast.net](mailto:pateklund@comcast.net))