ABAG FINANCE AND PERSONNEL COMMITTEE

Thursday, September 20, 2012, 5:00 p.m.
ABAG Conference Room B
MetroCenter—8th and Oak Streets
Oakland, CA

		Recommendation ***
1.	**Call to Order**	
2.	**Public Comments**	**Information**
*3.	**Minutes of the July 19, 2012 Meeting**	**Action**
**4.	**Financial Reports – ABAG** *The June 2012 Financial report will be distributed later in the week as soon as it is completed.*	**Action**
*5.	**Report on Diversity and Business Opportunity—FY 2011-12** *The Finance Director will present the annual Diversity and Business Opportunity Report.*	**Action**
*6.	**Proposed Resolution to pay *per diem* for attending a meeting where quorum not achieved** *Discussion and action on proposal to pay per diem to members who attend a regular ABAG Board or committee meeting for which a quorum is not achieved.*	**Action**
*7.	**Discussion regarding payment of per diem for attending regular BACEI meetings** *Current ABAG policy does not specifically allow payment of per diem for attendance at BACEI meetings. Staff seeks direction as to whether per diem should be paid and to whom?*	**Action**
*8.	**Update on Budget Discussions Regarding Long-Term Funding for Planning and Research** *The Executive Director will present a proposed agreement between MTC and ABAG regarding long-term funding for Planning and Research.*	**Action/ Information**
*9.	**Review Prospective Impact of Recent State Pension Revisions on ABAG** *The Finance Director will present the major elements of the recent State legislation modifying employee retirement benefits and how it will impact current and prospective ABAG employees.*	**Information**

(continued)

THE FOLLOWING ITEM WILL BE DISCUSSED IN CLOSED SESSION PURSUANT TO THE REQUIREMENTS OF THE RALPH M. BROWN ACT.

10.	**Public Employee Performance Evaluation** *Title: Legal Counsel*	**Action/ Information**
11.	**Adjournment**	**Action**

* Attachments enclosed with packet.
** Supporting documentation will be sent under separate cover.
*** The Committee may take action on any item on the agenda, which action may be the recommended action, any other action or no action.

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ABAG FINANCE AND PERSONNEL COMMITTEE

Summary Minutes

July 19, 2012

Members Present	Jurisdiction
Councilmember A. Sepi Richardson	City of Brisbane
Supervisor David Cortese	County of Santa Clara
Mayor Mark Green	City of Union City
Supervisor Scott Haggerty	County of Alameda
Supervisor Barbara Kondylis	County of Solano
Supervisor Mark Luce	County of Napa
Vice Mayor Peter McHugh	City of Milpitas
Councilmember Julie Pierce	City of Clayton

Members Not in Attendance	
Supervisor Rose Jacobs Gibson, Chair	County of San Mateo
Supervisor John Gioia	County of Contra Costa
Supervisor David Rabbitt	County of Sonoma

Officers and Staff Present
Ezra Rapport, Executive Director
Patricia Jones, Assistant Executive Director
Kenneth Moy, Legal Counsel
Herbert Pike, Finance Director
Brian Kirking, IT Director
Susan Hsieh, Assistant Finance Director

1) Councilmember Richardson called the meeting to order at 5:00 p.m.

2) Summary Minutes of the May 17, 2012 meeting were approved. /M/Haggerty/S/Kondylis/C/approved.

3) Pike provided an overview of the April and May 2012 Financial Reports. /M/Haggerty/S/McHugh/C/approved.

4) Pike provided an oral update on dues still owing from FY 2010-11 and FY 2011-12. The Committee directed staff to prepare and send a letter to Rio Vista expressing appreciation for their recent dues payment for FY 2012-13 indicating their desire to remain an active member of ABAG and to waive their dues from the prior fiscal years. /M/Green/S/Haggerty/C/approved.

5) The Committee discussed and agreed to support the request to join *amicus curiae* brief in support of Cole vs. Los Gatos.
/M/Kondylis/S/McHugh/C/approved.

6) Rapport presented a proposal regarding long-term funding for ABAG's Planning & Research. The Committee directed further negotiation and to schedule further discussion at the next Committee meeting, September 20, 2012.

7) Moy recommended a process similar to the previous year to evaluate the performance of Legal Counsel and the Committee concurred.

8) The Committee discussed additional compensation for the Assistant Executive Director during the period she served as Acting Executive Director.
/M/Kondylis/S/Haggerty/C/approved the award of 7.5 percent acting pay for the period March 16 through July 15, 2012.

9) In closed session, the Committee discussed issues regarding prospective labor negotiations. There was no reportable action.

10) The meeting was adjourned at 6:00 p.m.
/M/McHugh/S/Kondylis/C/approved.

TO: Finance and Personnel Committee

DT: September 12, 2012

FM: Herbert Pike, Finance Director

Re: Financial Reports --June 2012

The following are highlights of the financial reports for June 2012.

Overall Summary (Figures 3, 4, 7 & 8)

June 2012 represents the end of the fiscal year. While some minor adjustments are still be discovered, it appears that ABAG gained over $100,000 in equity over the previous year, enabling the set aside of the targeted additional $50,000 in the contingency reserve of the Association. Total revenue and expenditures for the year exceeded $30 million, increases of more than $7 million over the previous fiscal year. What makes this exceptional is that ABAG personnel costs increased only marginally, leaving the bulk of the $7 million for pass through and contracted services for the counties, cities and citizenry of the greater Bay Area.

Cash on Hand (Figure 1)

Cash on hand decreased to $2.23 million as of June 30th from $2.255 million on May 31st. The decrease of $317 thousand is attributed primarily to the quarterly cycle wherein reimbursement cannot be submitted until after the end of the quarter (June) and the supporting reports are ready. The June balance includes approximately $1.365 million invested in the Local Agency Investment Fund (LAIF). Currently, ABAG does not hold any other investments. The June 30th cash balance is approximately $309 thousand greater than the prior year

Receivables (Figure 2)

Receivables from grant and service programs amounted to about $5.18 million on June 30th, an increase of $1.5 million over the month prior. The month to month increase reflects primarily the close out of a very large grant, the accelerated pace of expense during the last month of the year, the closing process itself, and the normal quarterly cyclical change (for example, all expenses for a quarter are accumulated for a once per quarter claim for reimbursement). That is why the "unbilled receivables" is so high as of June 30, awaiting for quarterly reports before submitting the invoice. Receivables are approximately $171 thousand higher than they were a year prior reflecting the higher volume of grant funded activities in the current fiscal year, especially in energy-related grant activity. Much of the activity is attributable to large grant projects, e.g. energy retrofits, that are drawing to a close and the rush to submit claims for completion of retrofits before the impending deadline. Several other contractors and pass-through recipients are stepping up the pace in the submission of their bills as their fiscal years are similarly drawing to a close.

Actual vs. Budgeted Expenses (Figure 9)
Total expenses through June 30th, the entire fiscal year, amounted to about $30.22 million, or 103.1 percent, of the adjusted budgeted annual expense of $29.30 million for FY 2011-12.

Actual vs. Budgeted Revenues (Figure 10)
As of June 30th, total revenues amounted to about $30.35 million, or 103.5 percent, of the revised budgeted annual revenue of $29.33 million for FY 11-12.

As of June 30th, both revenues and expenses exceed the earlier year-end projection by over 3 percent. This is attributed to the accelerated pace of expense before the end of the fiscal year.

Fund Equity (Figure 5)
As of June 30th, general fund equity was approximately $1.16 million, a decrease of $222 thousand from the prior month. The Agency's restricted fund equity, consisting of capital, self-insurance, building maintenance and reserves, was increased by $50 thousand to $610. That is $50 thousand over the prior month and previous year to reflect the discussed minimum annual reserve increase of $50 thousand per year.

Indirect Cost (Figure 6)
The Agency's actual indirect cost (overhead) rate was 39.83 percent, or 3.12 percent below target. The lower than expected rate reflects the diversion of substantial central services efforts toward new grants, especially energy grants. The rate increased substantially over the previous month year-to-date, but not sufficiently to reach the target for the year. The increase from the prior month is attributed to the finalization of some large grant projects. However, by not spending the percent projected, it means we over-collected overhead for FY 2011-12 and will then need to adjust the overhead in FY 2013-14 to repay the projects.

ABAG FINANCIAL REPORTS

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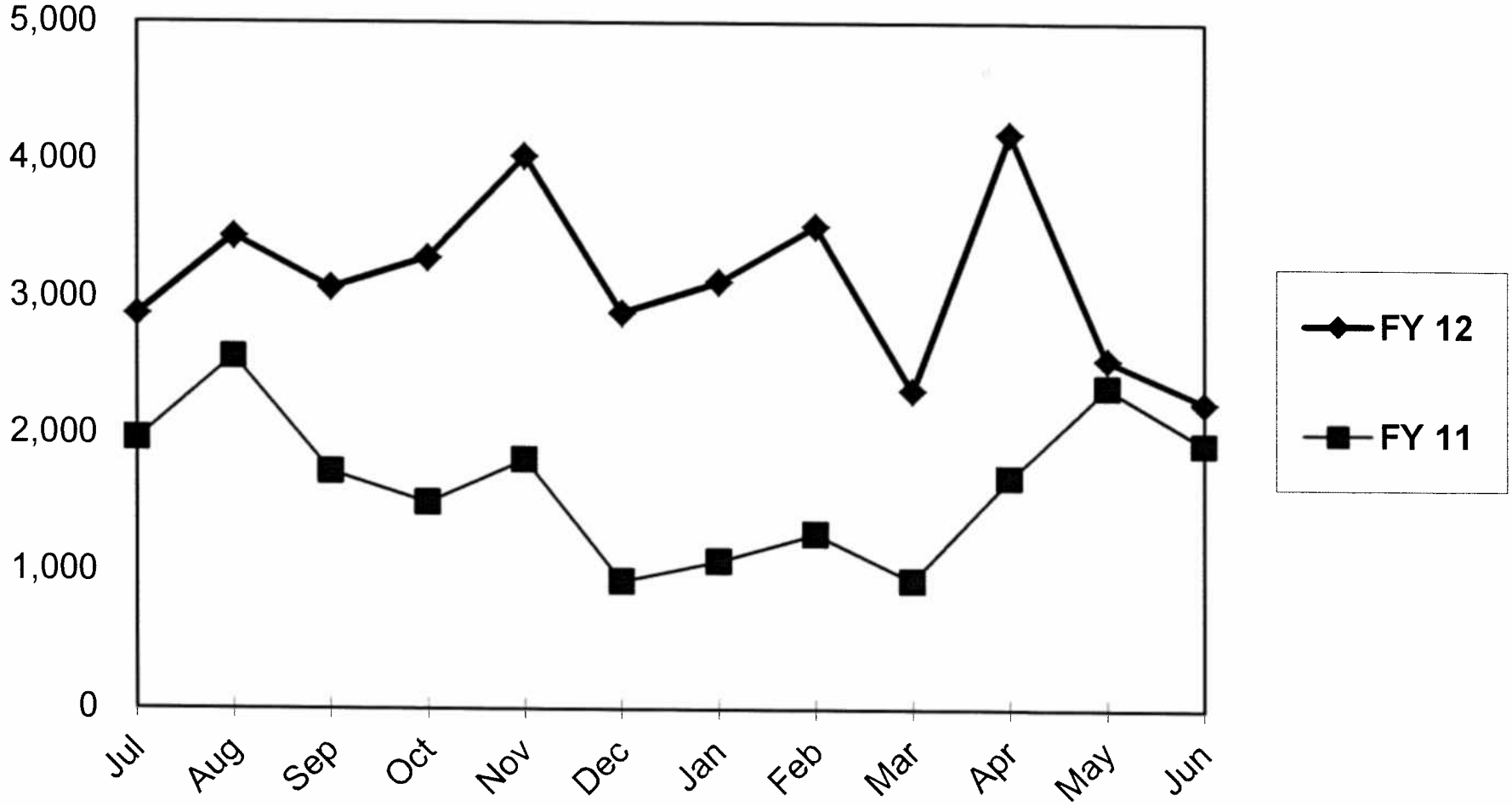
* Current Month Revenues and Expenses ..... Figure 3
* Year-to-date Revenues and Expenses ..... Figure 4
* Fund Equity ..... Figure 5
* Indirect Cost Rate (% of Direct Labor Cost) ..... Figure 6
* Composition of Expenses ..... Figure 7
* Composition of Revenues ..... Figure 8
* Actual vs. Budgeted/Projected Expenses ..... Figure 9
* Actual vs. Budgeted/Projected Revenues ..... Figure 10

ABAG Financial Indices

Figure 1--*Cash on Hand--FY 11 and FY 12 ($'000)*

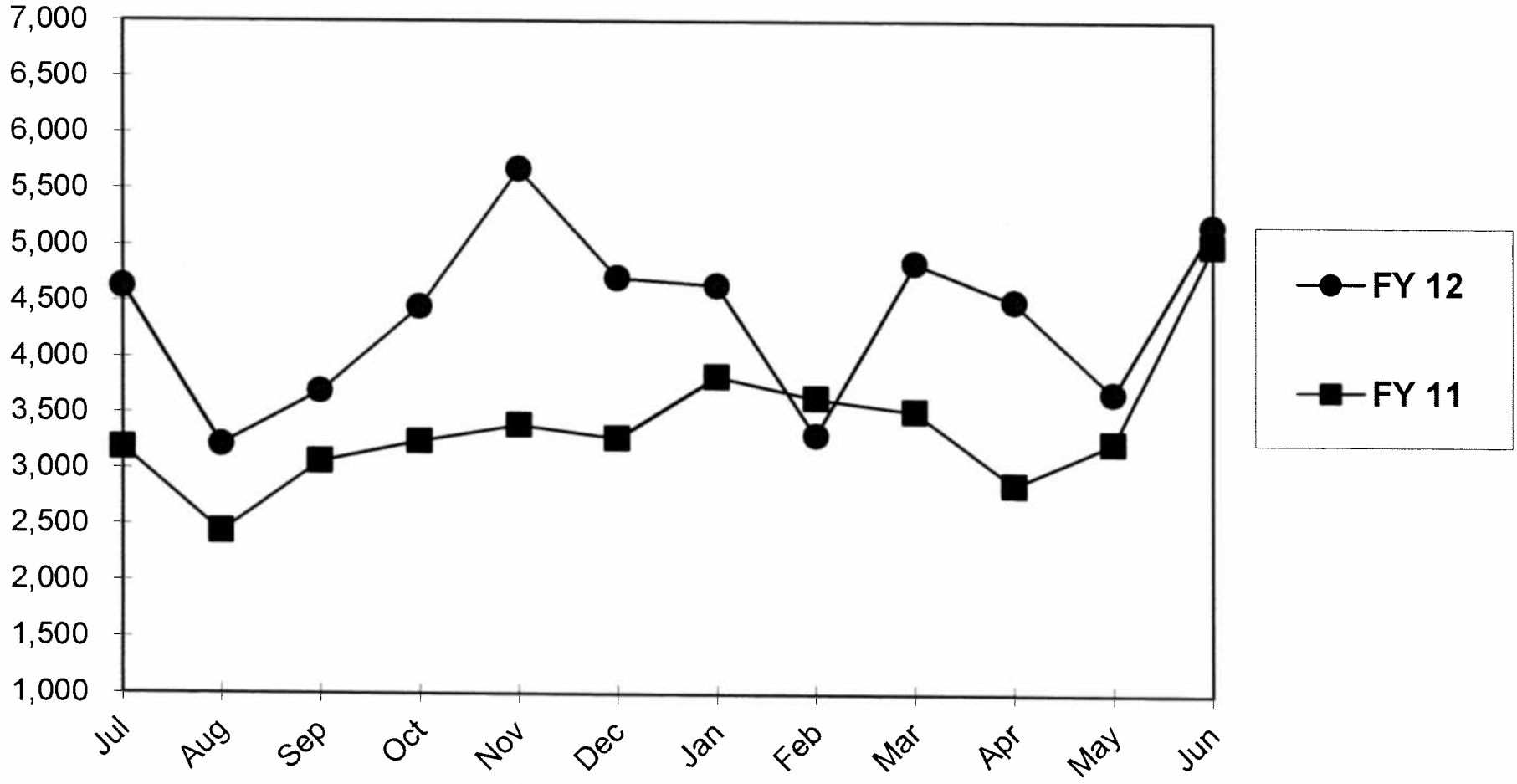


Represents the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

Source: ABAG -INDICES 2012-06.xls

ABAG Financial Indices

Figure 2--*Accounts Receivable--FY 11 and FY 12 ($'000)*



Accounts receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

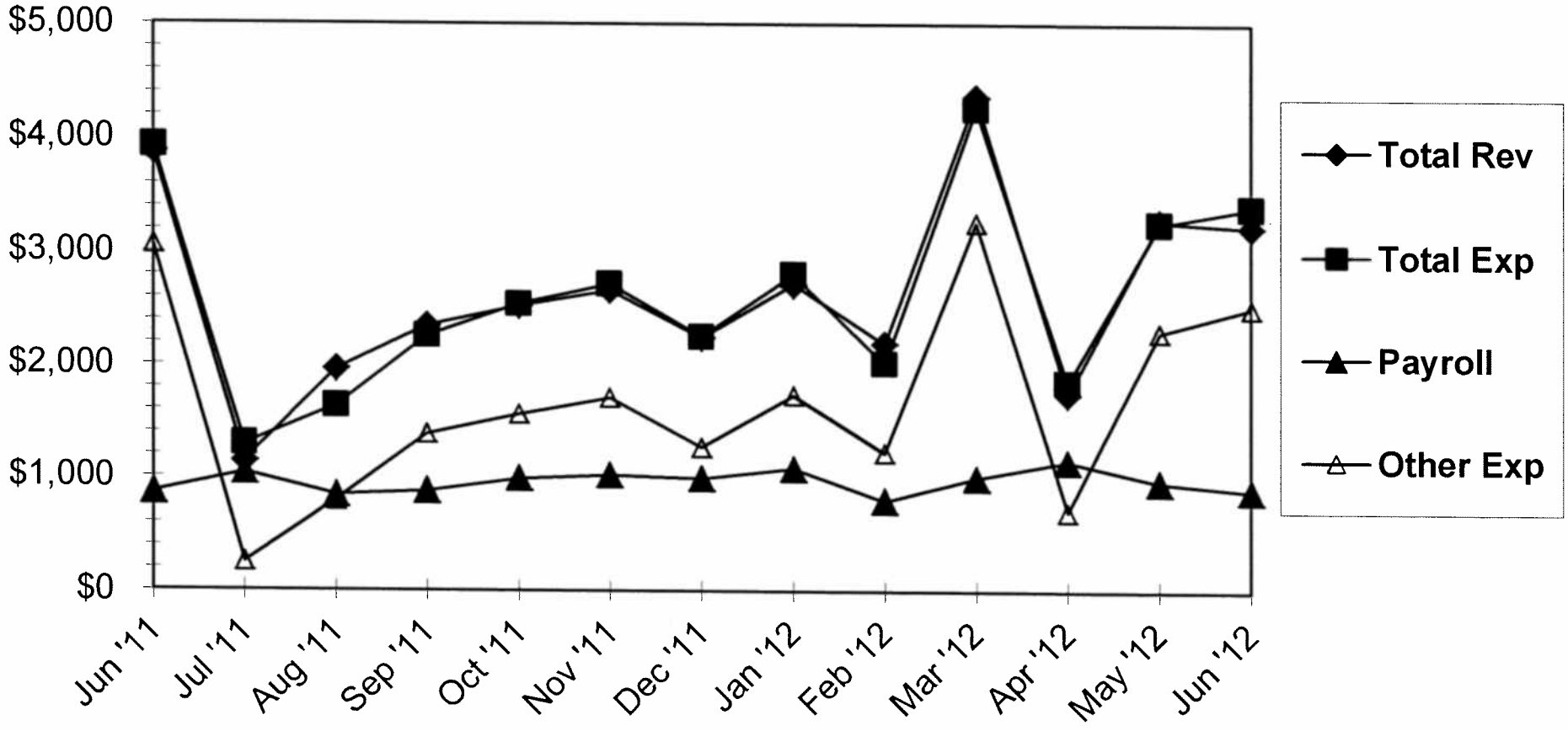
Source: ABAG - INDICES 2012-06.xls

Figure 2

ABAG Financial Indices

Figure 3--*Current Month Revenues & Expenses*

FY 11-12 ($'000)

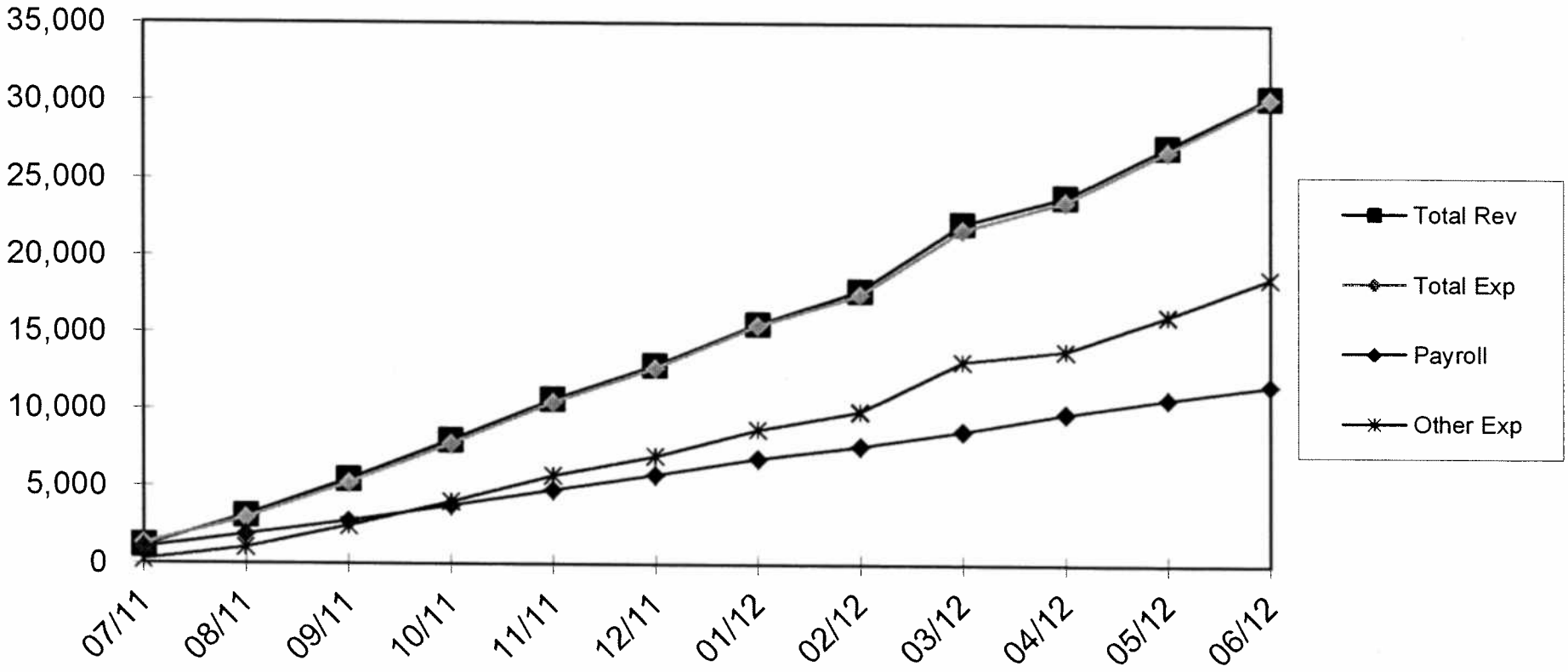


Presents month by month total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall current month net surplus (or deficit) for the Association.

Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 4--Year-to-date Revenues & Expenses
FY 11-12 ($'000)



Presents year-to-date total revenues, total expenses, payroll and other expenses for the current fiscal year. The difference between total revenues and total expenses lines represents the overall year-to-date net surplus (or deficit) for the Association.

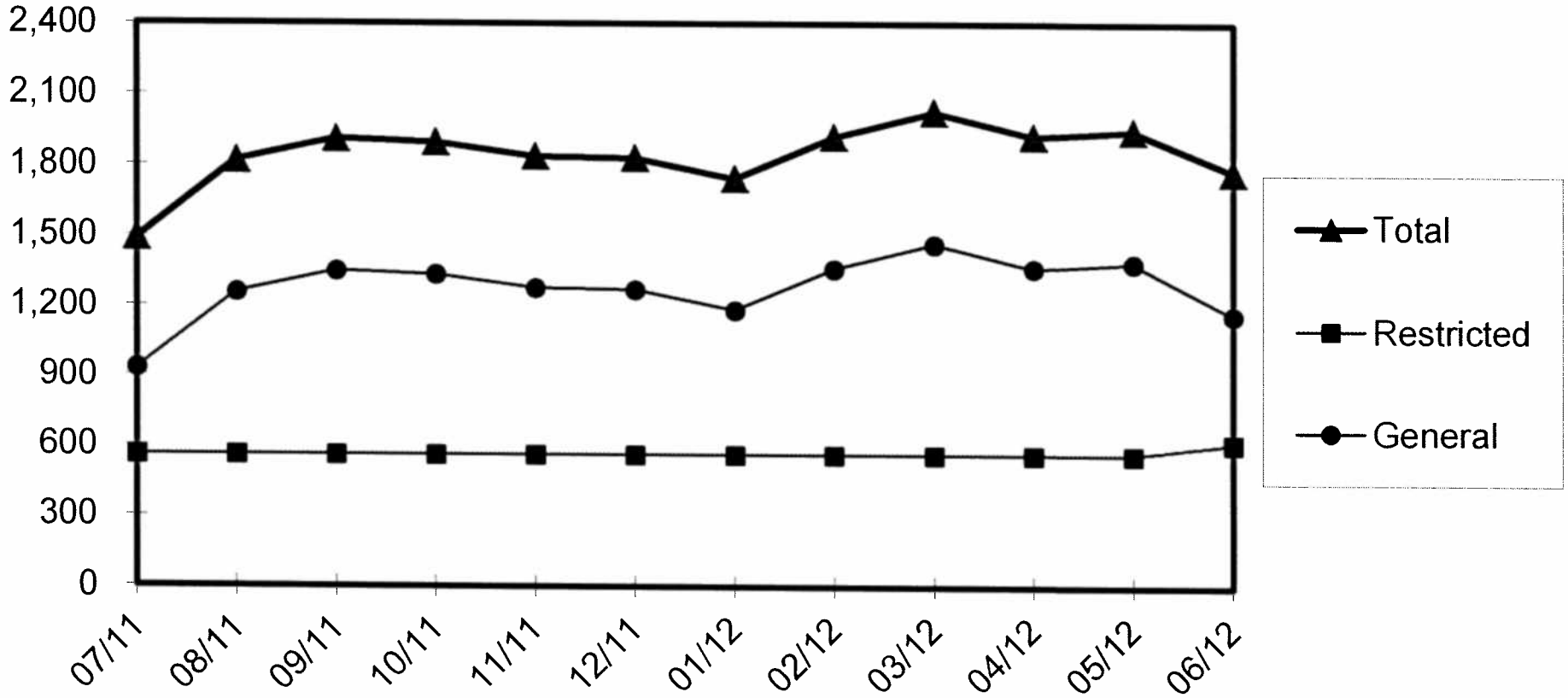
Source: ABAG - INDICES 2012-06.xls

Figure 4

ABAG Financial Indices

Figure 5--*Fund Equity*

FY 11-12 ($'000)

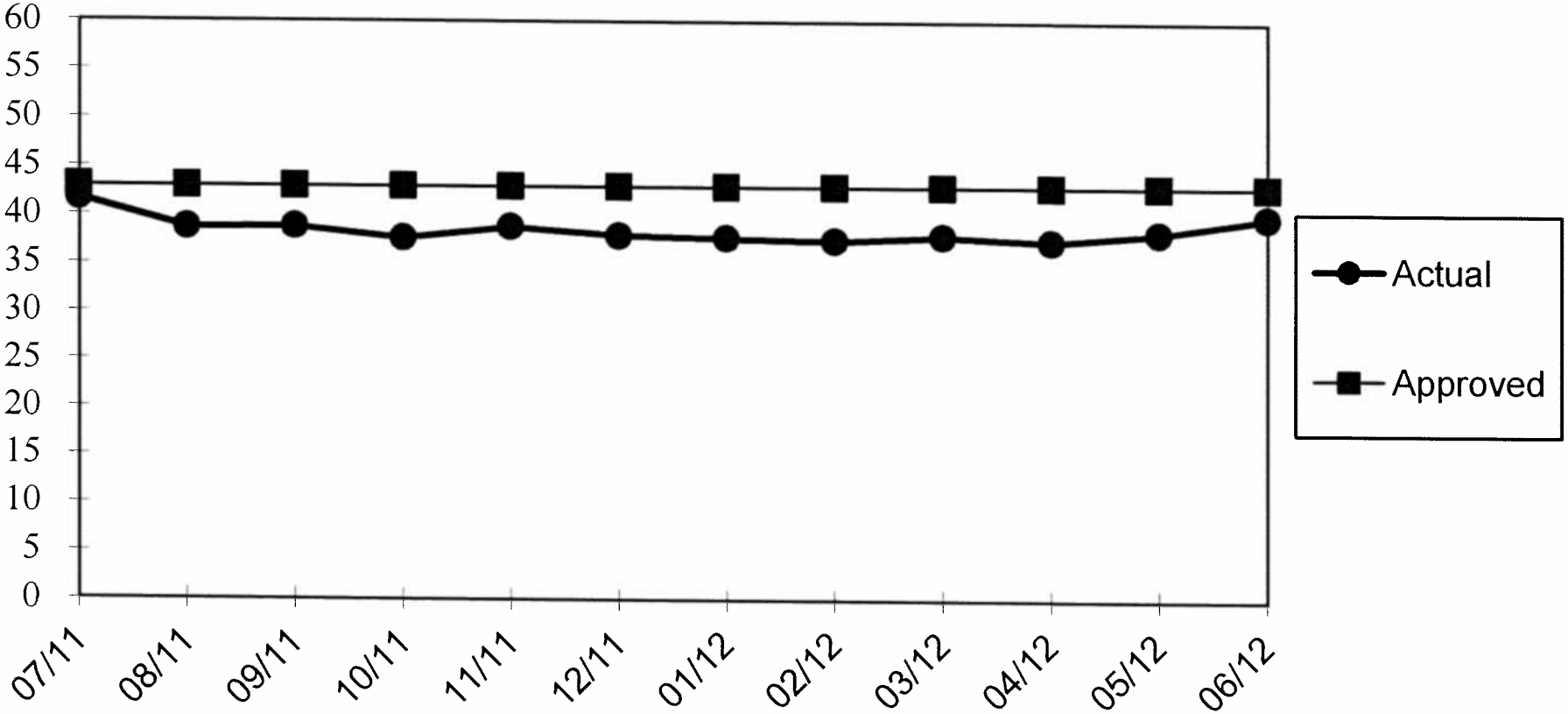


Presents general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvement interest, building maintenance, self-insurance, capital and contingency reserve. These restricted equities represent the Association's equities set aside for specific purposes. Total equity is the sum total of general and restricted equities.

Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 6--*Indirect Cost Rate (% of Direct Labor Cost)*
FY 11-12



Shows a comparison between the actual indirect cost rate and the approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with OMB Circular A-87.

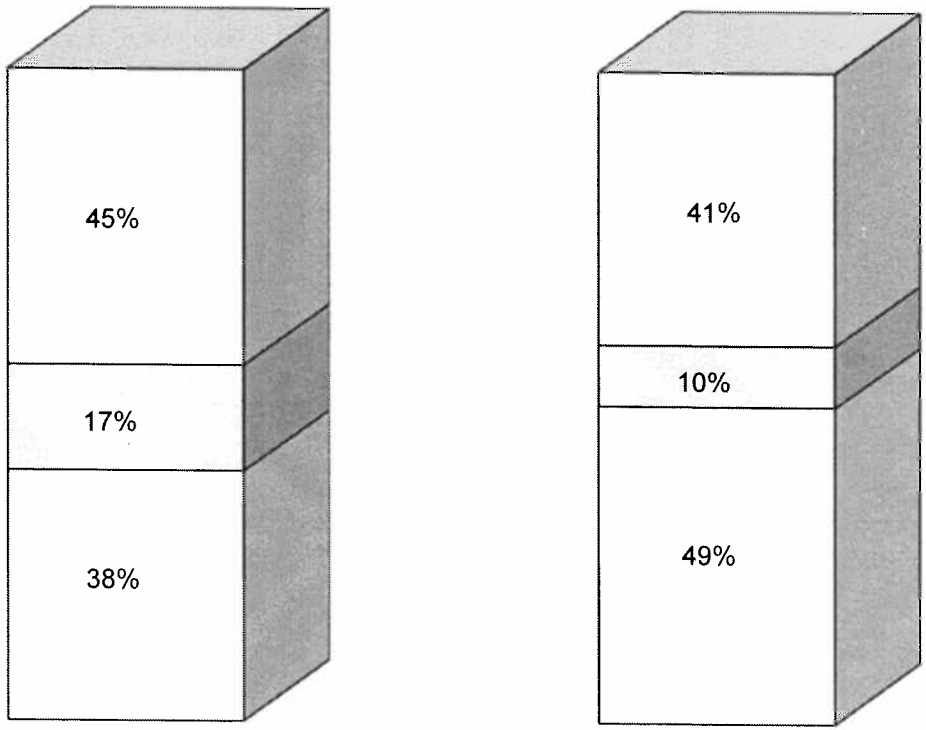
Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 7-- Composition of Expenses FY 11--FY 12

Year to Date

($'000)



	FY11-12 Expenses (Total $30,219)	FY10-11 Expenses (Total $22,766)
Consultants	$13,672	$9,521
Others	$4,967	$2,172
Payroll	$11,580	$11,073

This chart compares expenses for current and prior fiscal year. It groups expenses into three broad categories--payroll costs, consultants and other expenses.

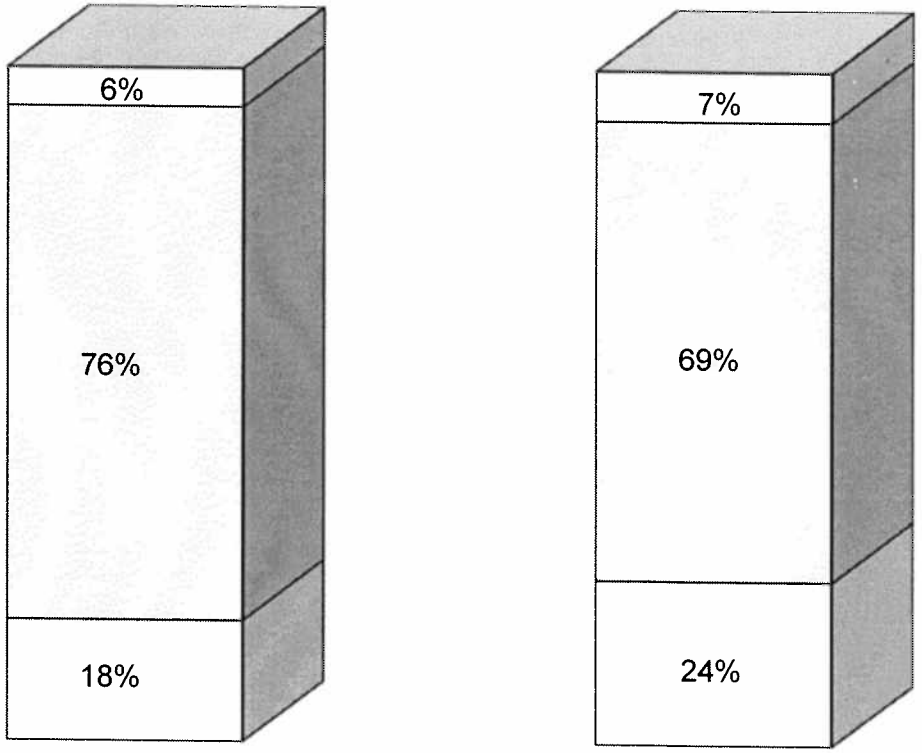
Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 8-- Composition of Revenues FY 11--FY 12

Year to Date

($'000)



	FY 11-12 Revenue (Total $30,351)	FY 10-11 Revenue (Total $22,874)
Membership	$1,730	$1,676
Grants	$23,178	$15,648
Services & Others	$5,443	$5,550

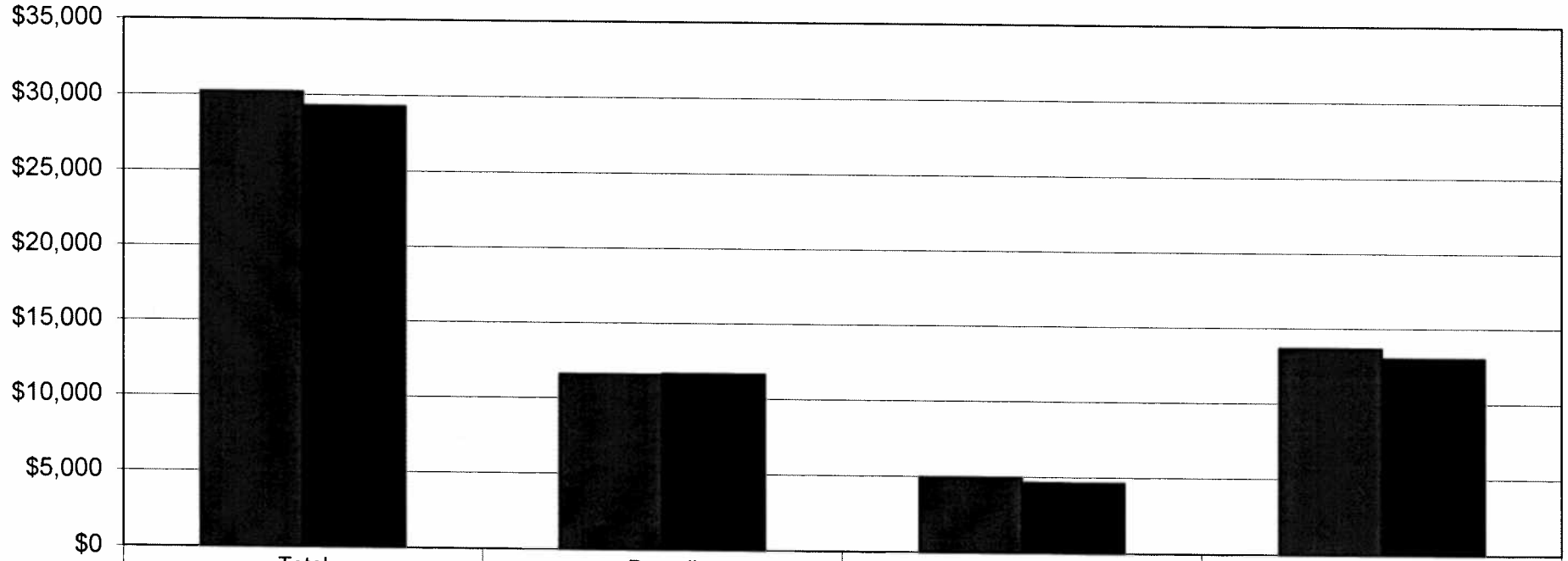
Presents a breakdown of total revenues into four main sources--membership, grants, services and others. This chart compares revenue sources between current and prior fiscal year.

Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 9--*Actual vs Projected Expenses--FY 11-12*

Year to Date ($'000)



	Total	Payroll	Other	Consultants
■Actual	$30,219	$11,580	$4,967	$13,672
■Projected	$29,300	$11,650	$4,633	$13,017

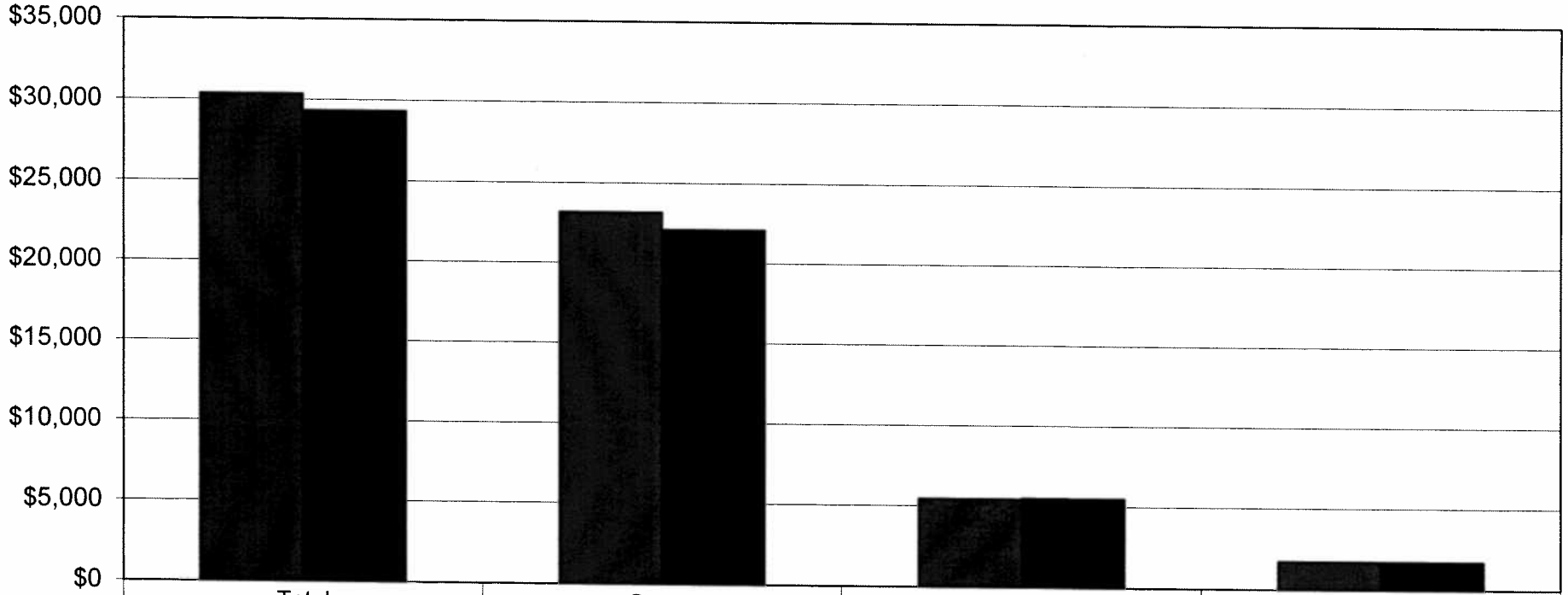
Presents a comparison of actual and budgeted/projected total expenses as well as component categories: payroll costs, consultants and other expenses.

Source: ABAG - INDICES 2012-06.xls

ABAG Financial Indices

Figure 10--*Actual vs Projected Revenues--FY 11-12*

Year to Date ($'000)



	Total	Grants	Services & Other	Membership
■Actual	$30,351	$23,178	$5,443	$1,730
■Projected	$29,330	$22,099	$5,500	$1,731

Presents a comparison of actual and budgeted/projected total revenues as well as component categories: membership dues, grants, services and other.

Source: ABAG - INDICES 2012-06.xls

ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE & PERSONNEL COMMITTEE

TABLE OF FINANCIAL REPORT DATA ELEMENTS
(thousands of dollars)

Index Description	Jun-12	May-12	Jun-11
Cash	2,233	2,550	1,924
Receivables	5,177	3,677	5,006
Payroll Cost-YTD	11,580	10,697	11,073
-Month	883	957	862
Total Other Expense-YTD	18,639	16,129	11,693
-Month	2,510	2,292	3,060
Total Expenses-YTD	30,219	26,826	22,766
-Month	3,393	3,249	3,922
Total Revenues-YTD	30,351	27,130	22,874
-Month	3,221	3,272	3,869
Fund Equity-General	1,162	1,384	1,080
Total Restricted	610	560	560
Total Fund Equity	1,772	1,944	1,640
Approved Overhead	42.95%	42.95%	42.95%
Overhead Rate %	39.83%	38.21%	41.96%

F&PC AGENDA ITEM #4-B

ASSOCIATION OF BAY AREA GOVERNMENTS
FINANCE & PERSONNEL COMMITTEE

TABLE OF FINANCIAL REPORT DATA ELEMENTS
(thousands of dollars)

Description	Year-To-Date Actual	Year-End Estimate
ASSETS		
Cash	2,233	2,000
Receivables	5,177	5,000
REVENUES		
Membership Dues	1,730	1,731
Grants	23,178	22,099
Charges for Services	5,443	5,500
Total Revenues	**30,351**	**29,330**
EXPENSES		
Salaries and Related Benefits	11,580	11,650
Consultant Services	13,672	13,017
Other Expenses	4,967	4,633
Total Expenses	**30,219**	**29,300**
Change in Net Assets	132	30
Beginning Net Assets	1,640	1,640
Ending Net Assets	1,772	1,670
NET ASSET BREAKDOWNS		
Unrestricted	1,162	1,060
Restricted	610	610
Total Net Assets	1,772	1,670
INDIRECT OVERHEAD		
Approved Overhead	42.95%	42.95%
Overhead Rate %	39.83%	41.00%

F&PC AGENDA ITEM #4-C

Date: September 10, 2012

To: Ezra Rapport, Executive Director

From: Patricia M. Jones, Assistant Executive Director
Herbert L. Pike, Finance Director

Subject: **Report on Diversity and Business Opportunities - FY 2011/12**

This status report summarizes ABAG's business opportunities, recruitment, promotion and training activities during FY 2011-2012 (ending June 30, 2012) and recommends programs that will continue our record toward improving the Agency's diversity.

Executive Summary

ABAG continues to have limited opportunities for employment and promotion due to our size, funding and turnover due to medical leaves. The fiscal year ended with 80 employees. During this past fiscal year, ABAG was able to add three permanent males of which two are full-time and one part-time, two temporary males, four permanent full-time females and one temporary female to our professional staff. We promoted two employees this fiscal year. One female was promoted from within the professional level and one member from an underrepresented group was promoted from the support level to the professional level.

ABAG's Diversity Program has three goals:

- To achieve in major job classifications (Management, Professional, Support) the same proportion of under-represented group members as exists in the nine-county San Francisco Bay Area labor force;

- To provide opportunities for all under-represented group members employed by ABAG to participate in training and education programs that will improve their personal advancement and contributions to the work of the Agency; and

- To ensure that the promotion of under-represented group members employed by ABAG be consistent with relevant skills, experience and background of the employees, performance requirements of higher job classifications and the needs for particular skills and positions in the Agency's work program.

This policy is consistent with the requirements and objectives set forth in Title VII of the Civil Rights Act of 1964 (42 U.S.C. § 2000e); the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621 et seq); Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 793); the Americans With Disabilities Act (ADA) of 1990 (42 U.S.C. § 12101 et seq); and California Government Code Sections 12940 et seq.

The following table shows the racial make-up of the total population and the labor force in the nine Bay Area counties. This reflects 2010 census information.

BAY AREA NINE COUNTIES RACIAL MAKE-UP	TOTAL POPULATION CENSUS 2000 6,783,760	TOTAL POPULATION CENSUS 2010 7,150,739
Amer. Indian & Alaska Native	0.6%	0.7%
Asian, Native Hawaiian & Other Pacific Islander	19.5%	23.9%
Black or African American	7.5%	6.7%
Hispanic*	19.4%	23.5%
Others	9.2%	10.8%
White	58.1%	52.5%
Two or More Races	4.9%	5.4%

The racial make-up of the three counties (Alameda, Contra Costa and San Francisco) from which ABAG staff is primarily drawn differs from the nine-county Bay Area as shown below.

ALAMEDA, CONTRA COSTA AND SAN FRANCISCO COUNTIES RACIAL MAKE-UP	TOTAL POPULATION CENSUS 2000 3,169,290	TOTAL POPULATION CENSUS 2010 3,364,531
Amer. Indian & Alaska Native	0.6%	0.6%
Asian, Native Hawaiian & Other Pacific Islander	20.7%	24.8%
Black or African American	11.5%	10.0%
Hispanic*	17.4%	21.3%
Others	8.1%	9.8%
White	54.0%	49.1%
Two or More Races	5.1%	5.7%

*Persons of Hispanic origin may be of any race. Percent totals of White, Black, Asian and Pacific Islander, American Indian, Eskimo and Aleut, Others and Two or More Races may not total 100 percent due to rounding of decimals. Persons who identified themselves in the 2000 census as of Hispanic origin are also included in the racial categories.

Current Composition of Staff

The table below shows the composition of the ABAG staff as of June 30, 2012. Of 80 employees, 46 are White (57 percent), 13 are Asian (16 percent), 11 are Black (14 percent), 4 are Hispanic (5 percent), 3 are Other (4 percent), 3 are Two or More Races (4 percent) and 1 percent is American Indian. On June 30, 2011, ABAG had 76 employees; the composition was 60.5 percent White, 16 percent Asian, 13 percent Black, 6.5 percent Hispanic and 4 percent Other. Because of the relatively small size of the staff, the addition or loss of one or two employees appears significant in percentages.

Progress towards diversity shows some variations for different under-represented members when examined by classification. Hispanics are not currently represented in the management and support classifications. As opportunities become available additional effort will be made to recruit this group.

ETHNIC BREAKDOWN BY CLASSIFICATION

Race	Management		Professional		Support		Total	
Amer. Indian	--		1	1.5%	--		1	1.2%
Asian	--		11	16.7%	2	25%	13	16%
Black	1	14.3%	7	10.6%	3	37.5%	11	13.6%
Hispanic	--		4	6%	--		4	4.9%
Others	1	14.3%	2	3%	--		3	3.7%
Two or More	1	14.3%	2	3%	--		3	3.7%
White	4	57.1%	39	59.2%	3	37.5%	46	56.9%
Total	7	100%	66	100%	8	100%	81	100%

An examination of the composition of staff by classification and gender in the following table shows a need for more females in management and more males in professional and support classifications.

STAFF COMPOSITION BY CLASSIFICATION & GENDER

Management (7)	Professional (66)	Support (8)	Total (81)
Male (5) 71%	Male (25) 38%	Male (3) 38%	Total (33) 41%
Female (2) 29%	Female (41) 62%	Female (5) 62%	Total (48) 59%

During FY 2011-2012, five staff members left the Agency. Two retired, two resigned and one was laid off due to the end of the grant-funded position.

	White*	Black	Asian	Hispanic	Male	Female
Management	2	--	--	--	2	--
Professional	2	--	--	1	1	2
Support	--	--	--	--	--	--
Totals	4	--	--	1	3	2

Recruitment

During FY 2011-2012, the Agency added ten staff members, five males and five females.

	White*	Black	Asian	American Indian	Two or More Races	Male	Female
Management	--	--	--		--	--	--
Professional	5	1	1	1	2	5	5
Support	--	--	--		--	--	--
Totals	5	1	1	1	2	5	5

Job openings were advertised with other regional councils of governments and other professional and non-profit organizations. Agency job openings were also posted on the Internet and the application was available online.

Interview Panels have, whenever possible, included under-represented group members as well as both genders. This policy will continue. The Human Resources Manager and hiring manager select applicants for interview without knowledge of their ethnic status. If, however, this process does not produce representatives of under-represented groups, they are asked to re-examine the credentials of under-represented candidates. Whenever possible, qualified under-represented applicants are invited to interview.

The following table presents the salary breakdown for classified staff by race and gender as of June 30, 2012.

ASSOCIATION OF BAY AREA GOVERNMENTS
COMPOSITION OF CLASSIFIED STAFF BY GENDER, RACE AND SALARY RANGE
(As of June 30, 2012)

SALARY RANGE	WHITE*		BLACK		ASIAN		AMERICAN INDIAN		TWO OR MORE RACES		HISPANIC		SUB-TOTAL		TOTAL
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
MANAGEMENT															
$128,472-$161,100	4	1	--	1	--	--	--	--	1	--	--	--	5	2	
SUBTOTAL	4	1	--	1	--	--	--	--	1	--	--	--	5	2	7
PROFESSIONAL															
$94,932-$115,380	2	2	--	--	--	1	--	--	--	--	--	2	2	5	
$75,024-$100,548	2	7	1	1	2	--	--	--	--	--	--	1	5	9	
$68,280-$83,004	8	8	1	1	4	1	1	--	--	1	--	1	14	12	
$56,820-$69,060	2	5	--	--	--	1	--	--	--	1	--	--	2	7	
$49,512-$60,180	2	3	--	3	--	2	--	--	--	--	--	--	2	8	
SUBTOTAL	16	25	2	5	6	5	1	--	--	2	--	4	25	41	66
SUPPORT															
$44,832-$54,660	--	2	--	--	--	--	--	--	--	--	--	--	--	2	
$38,952-$47,352	--	--	--	3	2	--	--	--	--	--	--	--	2	3	
$35,304-$42,948	--	--	--	--	--	--	--	--	--	--	--	--	--	--	
$30,360-$37,080	1	--	--	--	--	--	--	--	--	--	--	--	1	--	
SUBTOTAL	1	2	--	3	2	--	--	--	--	--	--	--	3	5	8

	WHITE*		BLACK		ASIAN		AMER IND		TWO OR MORE		HISPANIC		SUB-TOTAL		TOTAL
	M	F	M	F	M	F	M	F	M	F	M	F	M	F	
TOTAL	21	28	2	9	8	5	1	0	1	2	0	4	33	48	81

*White includes Other

Internship Program

Our traditional summer intern program consistently attracts a high caliber of applicants. The Agency received a total of 62 applications and hired 8 interns who were continuing or had just completed their college education. Of the 8 interns, 3 were White (37.5 percent), 3 were Asian (37.5 percent), and 2 were Other (25 percent).

Training

It is the Agency's policy to encourage staff to participate in training to enhance their performance and develop skills for future growth. Thirty-four employees participated in 74 classes with the assistance of our training and development program. The Agency's expenditure was $28,855 which compares to $36,401 invested in FY 10/11 and $27,405 invested in FY 09/10. The participants were from every classification and represented all races and genders. Although not represented in these numbers, the Agency encourages and supports managers and professionals to participate in workshops and associations related to their field. The expenditures for these on-going professional development programs are included in individual program and project budgets.

All program managers are encouraged to promote the professional growth of their staff. Since funds are limited, we encourage focus on those efforts that enhance the position-related qualifications of regular staff members. A special effort will be made to identify under-represented group members who need guidance and encouragement, as well as financial help, to further their careers. This is especially true for those interested in completing their college education.

Promotions

There were four promotions during this fiscal year. Two males and two females were promoted. Two employees were promoted from within the professional level and two were promoted from the support level to the professional level. Three of the four promotions were for women or for a member of an under-represented group.

Business Opportunities - FY 11/12

Our adopted diversity policy states in part that:

> "ABAG will, in its contracts with third parties for technical, consulting or other professional and non-professional services, comply with Federal rules regarding third-party relationships. ABAG will solicit proposals: from consultants with the required expertise who have protected group representatives among their employees, and from protected group consultants with the required expertise."

In this spirit during FY 2011-12, ABAG used—and in most cases continues to use—the MBE/WBE firms, organizations or companies presented on Tables I and II.

In the past year, the agency consulting/service contracts with MBE/WBE organizations totaled $1.04 million representing a decrease of 12.3 percent ($146 thousand) from FY 2010-11. Since total contracted services decreased 12.6 percent in FY 2011-12 over FY 2010-11, the percent of all contracts representing MBE/WBE enterprises increased from 23.6 percent in FY 2010-11 to 23.7 percent in FY 2011-12. Staff will review the process and explore how the designation process may be improved to assure we are capturing all minority vendors, not only those self-reported as minority vendors.

Table I--List of Firms/Contracts by Name and Table II—List of Firms/Contracts by Type are attached and provide additional detail.

Conclusion

Progress toward achieving and maintaining a diverse workforce continues to be a challenge. As in previous years, we continue to seek Hispanic applicants in the professional and support classifications to round out ABAG's diverse workforce. We have doubled our efforts to send job announcements to organizations that provide services to Hispanics, such as the Unity Council in Oakland. We will also continue to reach out and provide contracting opportunities to as many under-represented groups as possible, while maintaining our requirements of excellence. For the first time, we do have representation of American Indian.

TABLE I--LIST OF FIRMS/CONTRACTS BY NAME

COMPANY	NATURE OF WORK	TYPE	FY2011/12 ($'000)	FY2010/11 ($'000)
ACCENT SERVICE COMPANY INC	JANITORIAL SERVICES	Asian	0	13
BARR, EILEEN C	CONSULTANT	Woman	1	0
BROCKBANK, MARCIA L	CONSULTANT	Woman	0	1
CAREER ALLIANCE INC	TEMP. PERSONNEL AGENCY	African-America	157	245
CHOPS STEAKHOUSE	CATERING	Woman	0	5
CUSTOMIZED PERFORMANCE CLEANING	JANITORIAL SERVICES	Hispanic	19	0
DRLIK, TANYA	CONSULTANT	Woman	1	0
EARTHTEAM ENVIRONMENTAL NETWORK	CONSULTANT	Woman	3	64
FASTSIGNS	PRINTING	Asian	0	1
GOODWIN CONSULTING GROUP INC	CONSULTANT	Woman	22	29
JEANNE PERKINS CONSULTING	CONSULTANT	Woman	0	15
JP GRAPHICS INC	PRINTING	Woman	0	15
JT LITHO	PRINTING	Asian	55	58
KEATING, MARISELA	CONSULTANT	Hispanic	0	2
KRIESHOK, LISA	CONSULTANT	Woman	1	3
LUNCHSTOP CAFE METRO CENTER	CATERING	Asian	15	17
MAZE & ASSOCIATES	AUDITOR	Woman	140	77
NAT'L FORUM FOR BLACK PUBLIC ADMINISTRATORS	PROFESSIONAL ORG.	African-America	5	2
NETWORK CONSULTING SERVICES	CONSULTANT	Woman	4	0
OAKLAND MARRIOTT CITY CENTER	HOTEL	Asian	102	20
OKAMOTO, ARIEL RUBISSOW	CONSULTANT	Woman	25	0
PATTON, JOAN E	CONSULTANT	Woman	4	2
PDQ PRINT COPY MAIL	PRINTING/MAILING	Asian	1	2
PRISTIA, ELIZABETH	TRANSCRIPTION SERVICES	Woman	2	1
PRUNUSKE CHATHAM INC	CONSULTANT	Woman	58	14
REED, DENISE J	CONSULTANT	Woman	9	12
SAFETY COMPLIANCE MANAGEMENT INC	ONLINE INSTRUCTION	Woman	276	283
SLOAN, ROBERTA	CONSULTANT	Woman	13	17
SPENCER, LINDA	CONSULTANT	Woman	3	14
SSP DATA PRODUCTS	COMPUTER SUPPLIES	Asian	44	33
SULLIVAN, VERONICA	CONSULTANT	Woman	1	0
TDC ENVIRONMENTAL LLC	CONSULTANT	Woman	14	48
V-SOFT INC	TECHNICAL CONSULTANT	Asian	50	177
ZERO WASTE SOLUTIONS	JANITORIAL SERVICES	Asian	14	15
TOTAL			**1,039**	**1,185**
% of ALL ABAG CONTRACTS/SERVICES			**23.7%**	**23.6%**

TABLE II--LIST OF FIRMS/CONTRACTS BY TYPE

COMPANY	NATURE OF WORK	FY2011/12 ($'000)	FY2010/11 ($'000)
AFRICAN-AMERICAN			
CAREER ALLIANCE INC	TEMPORARY PERSONNEL AGENCY	157	245
NAT'L FORUM FOR BLACK PUBLIC ADMINISTRATORS	PROFESSIONAL ORG.	5	2
	TOTAL AFRICAN-AMERICAN	**162**	**247**
ASIAN			
ACCENT SERVICE COMPANY INC	JANITORIAL SERVICES	0	13
FASTSIGNS	PRINTING	0	1
JT LITHO	PRINTING	55	58
LUNCHSTOP CAFE METRO CENTER	CATERING	15	17
OAKLAND MARRIOTT CITY CENTER	HOTEL	102	20
PDQ PRINT COPY MAIL	PRINTING/MAILING	1	2
SSP DATA PRODUCTS	COMPUTER SUPPLIES	44	33
V-SOFT INC	TECHNICAL CONSULTANT	50	177
ZERO WASTE SOLUTIONS	JANITORIAL SERVICES	14	15
	TOTAL ASIAN	**281**	**336**
HISPANIC			
CUSTOMIZED PERFORMANCE CLEANING	JANITORIAL SERVICES	19	0
KEATING, MARISELA	CONSULTANT	0	2
	TOTAL HISPANIC	**19**	**2**
WOMAN			
BARR, EILEEN C	CONSULTANT	1	0
BROCKBANK, MARCIA L	CONSULTANT	0	1
CHOPS STEAKHOUSE	CATERING	0	5
DRLIK, TANYA	CONSULTANT	1	0
EARTHTEAM ENVIRONMENTAL NETWORK	CONSULTANT	3	64
GOODWIN CONSULTING GROUP INC	CONSULTANT	22	29
JEANNE PERKINS CONSULTING	CONSULTANT	0	15
JP GRAPHICS INC	PRINTING	0	15
KRIESHOK, LISA	CONSULTANT	1	3
MAZE & ASSOCIATES	AUDITOR	140	77
NETWORK CONSULTING SERVICES	CONSULTANT	4	0
OKAMOTO, ARIEL RUBISSOW	CONSULTANT	25	0
PATTON, JOAN E	CONSULTANT	4	2
PRISTIA, ELIZABETH	TRANSCRIPTION SERVICES	2	1
PRUNUSKE CHATHAM INC	CONSULTANT	58	14
REED, DENISE J	CONSULTANT	9	12
SAFETY COMPLIANCE MANAGEMENT INC	ONLINE INSTRUCTION	276	283
SLOAN, ROBERTA	CONSULTANT	13	17
SPENCER, LINDA	CONSULTANT	3	14
SULLIVAN, VERONICA	CONSULTANT	1	0
TDC ENVIRONMENTAL LLC	CONSULTANT	14	48
	TOTAL WOMAN	**577**	**600**

TOTAL MBE/WBE	**1,039**	**1,185**
Total ABAG Consulting/Service Contracts	**4,393**	**5,026**
Percent MBE/WE of Total Consulting/Service Contracts	**23.7%**	**23.6%**

ASSOCIATION OF BAY AREA GOVERNMENTS
EXECUTIVE BOARD

RESOLUTION NO. __-12

WHEREAS, the Association of Bay Area Governments (ABAG) is a joint powers agency formed pursuant to the Joint Powers Act, California Government Code §§ 6500, *et seq.*; and

WHEREAS, Section VII.A(7) of the duly adopted Bylaws of ABAG states that members of specified boards, standing committees, special committees, joint committees, task forces and the like (Eligible Bodies) receive a *per diem* "for each meeting attended"; and

WHEREAS, on occasion a validly called and noticed meeting of an Eligible Body fails to occur due to the lack of a quorum (Failed Meeting); and

WHEREAS, the members of the Eligible Body who were present at the validly called and noticed time and location of the Failed Meeting have incurred the same expenses that they would have incurred had the meeting occurred; and

WHEREAS, the Finance and Personnel Committee recommends that the members of en Eligible Body who were present at the validly called and noticed time and location of a Failed Meeting of the Eligible Body be paid a *per diem.*

NOW THEREFORE BE IT RESOLVED, that the Executive Board of the Association of Bay Area Governments hereby finds that the members of an Eligible Body authorized to receive a *per diem* from ABAG who were present at the validly called and noticed time and location of a proposed meeting of the Eligible Body that failed due to lack of a quorum have incurred the same expenses that they would have incurred had the meeting occurred. Therefore, the Executive Board of the Association of Bay Area Governments hereby declares that solely for the purpose of implementing Section VII.A(7) of its Bylaws, members of an Eligible Body who are authorized to receive a *per diem* from ABAG who were present at the validly called and noticed time and location of a proposed meeting of the Eligible Body that failed due to lack of a quorum are deemed to have attended a meeting of the Eligible Body.

The foregoing was adopted by the Executive Board this 20th day of September, 2012.

Mark Luce
President

Certification of Executive Board Approval

I, the undersigned, the appointed and qualified Secretary-Treasurer of the Association of Bay Area Governments (Association), do hereby certify that the foregoing resolution was adopted by the Executive Board of the Association at a duly called meeting held on the 20th day of September 2012.

Ezra Rapport
Secretary-Treasurer

F&PC AGENDA ITEM #6

DRAFT

Approval as To Legal Form

Kenneth K. Moy
Legal Counsel

DRAFT

Date: September 10, 2012

To: ABAG Finance & Personnel Committee

From: Herbert L. Pike, Finance Director

Subject: Per diem for attending BACEI meetings

Staff seeks Committee direction in drafting a resolution to allow *per diem* reimbursement for ABAG members attending regular meetings of the Bay Area Council Economic Institute (BACEI).

Background

Current ABAG By-Laws and Policies do not presently allow for the payment of *per diem* for ABAG members to attend BACEI meetings. BACEI endeavors to schedule regular quarterly meetings. ABAG appoints 13 members (one-third of the BACEI Board). If all appointees attended all meetings, the incremental *per diem* cost to ABAG would be $7,800.

An alternative would be to authorize *per diem* for ABAG elected officers to attend BACEI meetings. An example would be the President, Vice-President and immediate Past President. This would equate to a *per diem* cost of $1,800.

Date: September 7, 2012

To: Finance and Personnel Committee

From Ezra Rapport
Executive Director

Subject: **MTC-ABAG Planning and Research Budget Agreement**

Executive Summary

The ABAG – MTC Budget Committee has reached agreement on a five year budget (beginning FY 2102 -2013 through FY 2016-2017) to fund the ABAG Planning and Research Department. The agreement contains annual payments from MTC to ABAG as reflected in the memo that MTC has sent to its full Commission for ratification. Attachment A is the MTC memo going forward to the full Commission. Attachment B is the ABAG baseline budget projected for FY 2012- 2017, which demonstrates that the MTC funding is sufficient to cover the projected expenses of the ABAG's Planning and Research Department.

Benefits of the Agreement

The proposed ABAG- MTC Budget proposal accomplished the following ABAG objectives:

1. Sets forth a base line budget for ABAG Planning and Research that allows ABAG to meet its Council of Government responsibilities for both land use and economic and demographic projections. These funds will be used to accomplish a mutually agreeable set of tasks, and are not tied specifically to any particular set of tasks, such as work associated with SB 375;
2. The budget augmentation to ABAG, which is in the amount of approximately $500,000 per year, should sufficiently replace State subsidies (Prop. 84) that currently provide partial funding for this unit, as these funds may be difficult to obtain beginning in FY 2013-14;
3. The funding is a guaranteed baseline amount, and is not subject to a formula which varies year to year. MTC agrees to guarantee ABAG funding at the

beginning of the fiscal year, creating stability in the budget/fiscal management of the unit. In addition, any budgetary savings achieved in one year can be rolled over to the next year, potentially providing a small reserve in the event of unforeseen expenditures required by the unit mid-year.

This proposal would resolve the budget dilemma between ABAG and MTC for at least five years, including the current year. The long standing issue stems from the fact that the separation of ABAG as the Council of Governments (COG), and MTC as the Metropolitan Planning Organization (MPO), is unique in the State. Several times over the forty year history of MTC, proposals have been made to consolidate the two agencies. In each case, the Legislature chose to keep the agencies independent and represented by different Boards with different levels of regional representation. Since the last occasion when this issue was debated, the Legislature specifically called out ABAG to provide the land use scenarios and analysis under SB 375. To my knowledge, however, the Legislature was not asked to sort out how ABAG would be annually funded to perform this statutory responsibility as well as its other COG functions. ABAG staff believes this proposed agreement addresses this statutory anomaly by voluntary agreement between the two agencies.

Base Line Budget for Planning and Research Activities

ABAG presented to MTC a detailed five year budget reflecting its COG role as the agency primarily responsible for developing a regional land use plan collaboratively with local governments (see Attachment 1). The baseline budget represents staff's best attempt to streamline functions, consolidating what were previously two departments.

Land use and Council of Governments planning synergizes a great deal of relevant information, including regional economics, demographic trends, local housing markets, employment distribution, regulatory impacts on entitlements, and environmental, sustainability, and equity analytics.

The ABAG-MTC FOCUS program and subsequent Sustainable Communities Strategy (SCS) program have resulted in 200 self nominated areas throughout the region where sustainable housing and employment growth could be achieved with the support of local government. This highly successful program could not have been undertaken without the State providing grant funding over six years; first, Blueprint grants, and second, Prop. 84 grants. These funds are most likely terminated by 2013-2014 (a small level of funding remains, but unlikely to be awarded for SCS planning). While the PDA program has identified areas for potential growth, implementing this strategy for growth is a much more complex matter. The PDA program is the centerpiece of a Transportation Demand Management (TDM) strategy of MTC. MTC is investing many millions on this strategy to succeed, thereby creating a path for the region to maintain its competitive economic edge through appropriately located growth.

ABAG believes that continued funding for ABAG planning staff is an appropriate TDM land use investment. ABAG Planning proposes to assist local governments, special districts, CMAs, and other regional agencies in land use planning in a variety of ways. ABAG will expand its support to local governments with the PDA planning process and investment strategy. Beyond technical assistance, ABAG will assist in administering the PDA program by helping shape the PDA growth strategies through a comprehensive assessment of each PDA.

ABAG will continue to strengthen its role as a regional resource by monitoring housing production, building expertise in urban and suburban housing markets, and assembling and disseminating best practices for financing the acquisition and development of affordable units. ABAG will also bolster its ability to support local governments in addressing obstacles to infill development –including streamlining the entitlement process and innovative approaches to attracting private investment in the PDAs. Streamlining the entitlement process requires working with various regional and state agencies and special districts. ABAG will help integrate hazard mitigation planning, such as air quality mitigation, earthquake resiliency, and sea level rise infrastructure planning into the PDA planning process. ABAG will also convene stakeholders in advocating for the replacement of State redevelopment and the creation of new mechanisms to finance affordable housing and infrastructure, including the use of tax increment financing.

Guarantee of Funding at the Start of the Fiscal Year

ABAG cannot manage its fiscal responsibilities unless it is certain that the revenues projected to cover expenses are available at the beginning of the fiscal year. MTC revenues have such certainty, and the agreement contemplates that unexpended ABAG funds from one fiscal year will be carried over to the next. ABAG does not have (and has never had) a sufficient undesignated reserve to cover uncertainties and, this agreement may allow ABAG to carry a small reserve to cover unanticipated expenses within the Planning Department.

Relocation to 390 Main

Should ABAG decide to move to 390 Main, the agreement contains $1.4M to cover tenant improvements. Staff is conferring with MTC project managers to assess if this amount of funding is sufficient. The agreement does not rely on ABAG moving to 390 Main, and will stay in place even if ABAG chooses not to move, less the $1.4M tenant improvement allowance.

Conclusion: Budget Issues Resolved through Dialogue between ABAG and MTC Policymakers

ABAG appreciates the effort to date put forth by ABAG and MTC elected officials and staff.

We hope that further dialogue between ABAG and MTC elected officials will continue the progress made on resolving the Planning and Research budget issues in the future, beyond the five year agreement. It is recommended that the budget issue be taken up again in the third year of the agreement so that the agreement can be extended or amended as necessary with sufficient time for discussion. Staff recommends approval of this agreement to be memorialized by a Memorandum of Understanding (or similar document) between the agencies.

Attachments:

(A) MTC Executive Director draft memo
(B) ABAG baseline budget projected for FY 2012- 2017

METROPOLITAN
TRANSPORTATION
COMMISSION

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Memorandum

TO: Commission DATE: September 19, 2012

FR: Executive Director

RE: Funding Agreement Framework for MTC/ABAG Joint Planning Activities

The Association of Bay Area Governments (ABAG) has requested the Commission to consider a new approach to funding joint planning activities that would provide ABAG a more predictable basis for their annual budgeting. Members of the ABAG Board and Commission met twice to discuss an approach to a multi-year funding agreement and a baseline calculation of ABAG's expenses that would be covered by this agreement. Based on those meetings and continuing conversations between board members of both agencies, staff is recommending a framework for your approval.

Background

The current MTC/ABAG funding agreement for ABAG's research and planning activities is based on a formula allocation of a percentage of the federal and TDA planning funds that MTC receives each year. This formula has been in existence since FY 1993-94. In addition to these funds, MTC provides ABAG a percentage of regional planning funds per the One Bay Area Grant (OBAG) formula allocation, and funding for ABAG staff support to the Station Area Planning program, now re-named the PDA Planning program.

In addition to the above, in both FY2011-12 and FY2012-13, the region received a $1,000,000 grant from the state's Strategic Growth Council Sustainable Communities Planning Grant program per Proposition 84. MTC and ABAG have shared these funds to cover costs associated with implementing the joint planning requirements of SB375. The final round of grant funding under this program will occur in FY2013-14. While we are advocating for the continuation of state funding support after that date, the loss of these funds would have a significant impact on ABAG's ability to fund its research and planning functions.

Proposed Framework

- The agreement would cover a four-year period beginning FY 2013-14 through FY 2016-17 and would replace the current annual formula calculation with a specific dollar amount per year.
- The framework includes a mechanism and funding for ABAG to contribute to the cost of tenant improvements to new office space in the event ABAG decides to relocate its

offices to the new Regional Headquarters Facility.

- Per the meetings of ABAG Board and Commission members noted above, the proposed funding amounts are calculated using an FY2012-13 estimate of ABAG's research and planning services expenses of $3,700,000 as the base, escalated at 1.5% per year, plus funding sufficient for ABAG to contribute to the cost of tenant improvements as noted above.

- Per these assumptions, the annual amount of funds to be made available to ABAG would be as follows:

FY 2013-14	$4,105,000
FY 2014-15	$4,162,000
FY 2015-16	$4,219,000
FY 2016-17	$4,277,000

- The funding sources for the agreement would include the final round of Prop. 84 funds in FY2013-14 as well as any new state planning funds made available to the region to support research, planning and implementation activities per the requirements by SB 375 and Plan Bay Area. MTC and ABAG will advocate for the continuation of state planning funds to support these activities.

- The framework would allow unspent funds to carry over into ensuing years' agreements for expenditure by ABAG in subsequent fiscal years, thereby providing budget capacity over the course of the four-year agreement to meet anticipated agency expenses.

- The MTC Administration Committee would authorize the execution of each year's agreement, per the funding amounts above, in order to confirm the scope of work for research and planning activities to be carried out by ABAG in exchange for the funding received.

- ABAG and MTC will explore in earnest ways to reduce costs related to duplicate functions.

Staff seeks the Commission's approval of this framework and authorization to forward it to ABAG for consideration as the basis for the MTC/ABAG funding agreements beginning in FY2013-14.

Steve Heminger

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RESEARCH & PLANNING SERVICES
PROJECTED EXPENSES THROUGH FY 2014-15
(updated July 13, 2012)

		12-13	13-14	14-15	15-16	16-17	5-YEAR AVG
TOTAL SALARIES	\5	**1,376,794**	**1,401,406**	**1,420,143**	**1,430,463**	**1,435,959**	
TOTAL BENE'S B4 MOU 1%	\4	995,837	1,025,796	1,053,507	1,077,171	1,098,401	
MOU ANNUAL 1%	\9	11,863	35,922	60,553	85,895	111,830	
TOTAL SAL+BEN+MOU		**2,384,494**	**2,463,124**	**2,534,203**	**2,593,529**	**2,646,190**	
INDIRECT COSTS (@42.95%)		1,000,910	1,028,251	1,052,180	1,070,977	1,086,861	
TOTAL PERSONNEL + INDIRECT		**3,385,403**	**3,491,374**	**3,586,382**	**3,664,506**	**3,733,051**	**3,572,144**
DIRECT NON-PERSONNEL							
Consulting Fees	\11	56,250	56,250	56,250	56,250	56,250	
Communications Services	\6	82,500	82,500	82,500	82,500	82,500	
Other Non-Personnel	\10	41,250	45,000	48,750	52,500	56,250	
TOTAL DIRECT NON-PERSONNEL		**180,000**	**183,750**	**187,500**	**191,250**	**195,000**	**187,500**
OPERATING REVENUE REQ'D		**3,565,403**	**3,675,124**	**3,773,882**	**3,855,756**	**3,928,051**	**3,759,644**
REVENUES							
-Station Area Planning	\7	(250,000)	0	0	0	0	**(50,000)**
-MTC Funding	\7	(3,211,260)	(3,755,000)	(3,812,000)	(3,869,000)	(3,927,000)	**(3,714,852)**
-Prop. 84/Other Grants	\8	(1,000,000)					
TOTAL REVENUES	\8	**(4,461,260)**	**(3,755,000)**	**(3,812,000)**	**(3,869,000)**	**(3,927,000)**	**(3,964,852)**
NET (SURPLUS)/DEFICIT			**(79,876)**	**(38,118)**	**(13,244)**	**1,051**	**(32,546)**
RELOCATION ALLOWANCE	\12						
Supplemental MTC funding commitment			(350,000)	(350,000)	(350,000)	(350,000)	**(350,000)**
Amortized Reloction Costs			350,000	350,000	350,000	350,000	**350,000**

FOOTNOTES:

\4 = Employee benefits include retirement contributions, funding retiree medical health liability (OPEB ARC), health-dental-vision care, transit allowance, disability insurance, lon-term disability, life insurance, workers' comp, etal.

\5 = Increase between fiscal years due solely to step increases.

\6 = Reduction of 25% from previous funding levels. Communications support is essential to communicate directly with our members, the public and media. Some $700,000 (approximately 80%) of the Communications work has been focused on the SCS, including participating and supporting outreach for the Plan to our members, and the public. Thus, it is estimated ABAG has been underwriting SCS and related activities in the neighborhood of $600,000 in excess of the $110,000 previously funded by transportation funding passing through MTC.

\7 = Revenue projections are based on a 1.5% annual increase in the MTC FY 13/14 allocation of $3.7 million. Station Area Planning is included within the $3.7 million allocation.

\8 = Assumes surplus funding in one year can be carried forward into subsequent years.

\9 = Rough approximation of additional costs assuming negotiated labor MOU increases of 1% each January.

\10 = A 25% reduction in original request is reflected. A summary of costs incurred in FY 2010-11 under 'Non-Personnel Expense" include Office Supplies-$14,551; In-house printing-$6,132; Travel-$5,684; Subscriptions & Membership-$15,853; Computer processing-$900; Postage-$850; Mailing labels-$486; Telephone (teleconferences)-$317; Insurance & bonding-$243 and Staff training & development-$789, summing to $70,833.

\11 = (cont'd) This institutional knowledge will be essential to further support and integrate land use and transportation analysis. Thus, both the new position and the reduced consulting fees will be required to accomplish our tasks.

\12 = Relocation funding and amortized costs cease after FY 16/17. Allowance is restricted to tenant improvements. Moving expense and movable furniture (e.g. desks, chairs and file cabinets) still to be negotiated.

Date: September 10, 2012

To: ABAG Finance & Personnel Committee

From: Herbert L. Pike, Finance Director

Subject: Review Prospective Impact of Recent State Pension Revision on ABAG

On the last day of the recent State legislative session, AB340 was passed that included several substantial revisions to the governmental pensions throughout California. The legislation is currently in the Governor's Office awaiting his signature. Since he introduced the legislation, his signature is expected.

The attached F&PC AGENDA ITEM #9-A provides an edited version of a recent summary provided by CalPERS. Having reviewed several analyses over the last two weeks, I am prepared to answer any questions. New requirements such as basing pensions on the highest contiguous 36 month period are already in place, as well as the restriction not to use unused sick leave or vacation to increase reported salary. Similarly, ABAG already complies with medical coverage restrictions by offering the same coverage to all employees. As for ABAG's current pension offering, it is 2.5% at age 55.

The new legislation references the splitting of "normal" retirement costs between the employee and the employer. The "normal" cost is the required amount to pay for new service credits being earned during the current year. It excludes the accrued actuarial unfunded liability accrued in prior periods. In the case of ABAG, our current CalPERS retirement contribution is 30.5% of salary or which 13.5% is accrued liability from prior periods. Thus, the "normal" cost would be 17.0% which would require a new employee to pay 8.5% toward their retirement. To provide some insight into the causes of our accrued unfunded liability, F&PC AGENDA ITEM #9-B is provided. Because of its relative complexity, I will note any questions and obtain informed responses from our actuarial consultant, Bartel & Associates.

Date: September 10, 2012

To: ABAG Finance & Personnel Committee

From: Herbert L. Pike, Finance Director

Subject: Review Prospective Impact of Recent State Pension Revision on ABAG

On the last day of the recent State legislative session, AB340 was passed that included several substantial revisions to the governmental pensions throughout California. The legislation is currently in the Governor's Office awaiting his signature. Since he introduced the legislation, his signature is expected.

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The new legislation references the splitting of "normal" retirement costs between the employee and the employer. The "normal" cost is the required amount to pay for new service credits being earned during the current year. It excludes the accrued actuarial unfunded liability accrued in prior periods. In the case of ABAG, our current CalPERS retirement contribution is 29.4% of salary or which 12.6% is accrued liability from prior periods. Thus, the "normal" cost would be 16.8% which would require a new employee to pay 8.4% toward their retirement. To provide some insight into the causes of our accrued unfunded liability, F&PC AGENDA ITEM #9-B is provided. Because of its relative complexity, I will note any questions and obtain informed responses from our actuarial consultant, Bartel & Associates.

Preliminary Summary of Pension Reform Provisions

These preliminary comments of CalPERS staff are based on its current understanding of AB 340 as set forth in Conference Report, edited to address the elements as they affect ABAG employees.

BRIEF SUMMARY	IMPACTS CURRENT EMPLOYEES	IMPACTS FUTURE EMPLOYEES
Reduced Benefit Formulas & Increased Retirement Ages Creates a new defined benefit formula of 2% at age 62 for all new employees with an early retirement age of 52 and a maximum benefit factor of 2.5% at age 67.		X
Cap Compensation that Counts Toward Pension Benefits Caps the annual salary that counts towards final compensation for all new employees at $110,100 (2012 Social Security Contribution and Benefit Base) for employees. This compensation cap would adjust annually based on the CPI for all Urban Consumers.		X
Equal Sharing of Normal Cost • For new employees, it generally requires the employees and the employer to each contribute 50% of the total annual normal cost of pension benefits. • For current employees, the employer and employee could mutually agree to any cost sharing agreement for pension benefits between January 1, 2013 and December 31, 2017. Beginning on January 1, 2018 the employer could unilaterally require employees to pay 50% of the total annual normal cost up to an 8% contribution rate. • Employers may not pay any of the "equal share" required employee contribution.	X	X
Prohibit Purchases of Airtime Eliminates the ability of any public employee to purchase non-qualified service or "airtime," unless an official application was received by the system prior to January 1, 2013.	X	X

Prohibit Retroactive Pension Increases Prohibits public employers from granting to both current and future employees retroactive pension benefit enhancements that apply to service performed prior to the enhancement.	X	X
Limit Post-Retirement Public Employment • Limits all employees who retire from public service from working more than 960 hours or 120 days per year for any public employer. • Requires a 180-day "sit-out" period before a retiree could return to work except under certain circumstances. • Requires a one-year "sit-out" period for retirees who received either a golden handshake or some other employer incentive to retire. • Prohibits an individual receiving an industrial disability retirement from working for another public employer doing the same or substantially similar job.	X	X
Contracting Agency Liability for Excessive Compensation Requires CalPERS to develop requirements for defining a significant increase in actuarial liability for a former employer due to excessive compensation paid by a subsequent public employer, and to develop a plan to assess the cost of that excess liability to the employer who paid the excessive compensation.	X	X

Non-Normal PENSION Costs

The new legislation makes a distinction by asking new employees to fund half of the "normal" pension costs, thereby creating the category "non-normal" pension costs. Non-normal costs are the actuarial estimates of how much is needed to fund the future benefits earned through prior service credited less the reserves available to provide that funding. The largest shortfalls have arisen when a new benefit is established and employees' prior experience is credited toward earning that benefit. Then there was the instance in 2008 when the equity (funds with CalPERS) lost 26% of their value. Then there are changes in assumptions such as a change in the assumed rate of return (recently reduced from 7.75% to 7.50%) and the amortization rate), the change in projected longevity of retirees and their age at retirement, and the estimated average salary increase over the life of the employee.

For ABAG's pension plan CalPERS uses layered amortization. This means reasons for the unfunded liability are amortized separately. Here are their current policies:

1. Side fund ($5.3M/8.56%)

    - Initial amount June 30, 2003 amortized over 17 years beginning 2005/06 (remaining 10 years from 2012/13)

2. Risk Pool: (4.03%)

    - Unfunded liability as of June 30, 2004 amortized over remaining 30 years from 2006/07 (remaining 24 years from 2012/13)
    - Gains and losses (with some exception) amortized over rolling 30 years
    - Special June 30, 2009 and 2010 asset losses amortized over fixed 30 years beginning 2011/12 and 2012/13 respectively
    - June 30, 2009 assumption changes amortized over 20 years beginning 2011/12
    - The above results in an average amortization period remaining of about 24 years from 2012/13