STAFF REPORT

MEETING
DATE:     May 24, 2016
TO:       City Council
FROM:     Cathy Capriola, Interim City Manager
SUBJECT:  DISCUSSION OF OPTIONS FOR ABAG AND MTC MERGER AS PRESENTED IN THE MANAGEMENT PARTNERS REPORT

REQUEST

Consider having a Council discussion of the Options for the Association of Bay Area Governments (ABAG)/Metropolitan Transportation Commission (MTC) merger as presented in the Management Partners Report, taking into consideration any new information that may have arisen since Council’s last discussion on the topic, and decide whether to take action in support or opposition of any one or a combination of the Options.

RECOMMENDATION

No recommendation given. Whether to take action is at Council’s discretion.

BACKGROUND

At its May 17, 2016 meeting, the Novato City Council authorized that a letter from the Council, signed by the Mayor (Attachment 1), be sent to the ABAG Administrative Committee and MTC Planning Committee, requesting that action be taken to suspend MTC Resolution 42-10 and to support the actions proposed by SEIU 1021 in its letter of May 3, 2016, (Attachment 2) in order to allow more time to fully vet the various Options presented in the Report.

Council also directed that a further discussion of the Options presented in the Management Partners Report (Attachment 3) be scheduled for the May 24, 2016, meeting, pending further information being made available following upcoming ABAG General Assembly, ABAG Executive Board meeting and any other updates.

More background and detailed information is available in the May 24, 2016 staff report on this topic which is located here:


FISCAL IMPACT

None
ALTERNATIVES

Take no action at this time; direct staff as to action requested.

ATTACHMENTS

1. Novato Council Letter
2. SEIU letter dated May 3, 2016
3. Management Partners Report – Executive Summary, containing Options
May 18, 2016

ABAG Administrative Committee
MTC Planning Committee
101 Eighth Street
Oakland, CA 94607

Dear ABAG Administrative Committee and MTC Planning Committee Members:

At the Novato City Council meeting of Tuesday, May 17, 2016, the Council authorized a letter to be sent, signed by the Mayor, requesting that action be taken to suspend MTC Resolution 42-10 and to support the actions proposed by SEIU 1021 related to ensuring a reasonable and smooth transition for the dedicated and professional ABAG employees whose livelihoods may be impacted by the contemplated merger.

The Council is aligned in its view that more time must be devoted to examining the ramifications of the merger plan, and strongly recommends that Resolution 4210 be suspended until such examination is thoroughly completed and that SEIU’s recommended actions, as outlined in their letter of May 3, 2016 (attached), are incorporated into the merger implementation plan. We also feel that more time is needed to fully vet the various options presented in the Management Partners Report.

In short, we request that the ABAG Executive Board, MTC and the Joint Committee take the following actions in order to provide more time to consider the merger options:

1. Suspend MTC Resolution 4210.
2. Incorporate into the merger plan SEIU’s recommended actions with respect to ABAG employee impacts to their employment, benefits and union status.

Thank you for your time and attention in considering our request.

Sincerely,

Pat Eklund
Mayor, City of Novato

Attachment:
1. SEIU Letter

cc: Novato City Council
Interim City Manager Cathy Capriola
Marin County Supervisor Steve Kinsey
May 3, 2016

ABAG Administrative Committee
MTC Planning Committee
101 Eighth Street
Oakland, CA 94607

Dear ABAG Administrative Committee and MTC Planning Committee Members:

On behalf of the Service Employees International Union Local 1021 (SEIU 1021), I’m writing to express SEIU 1021’s deep concern that the ABAG-MTC Merger Study thus far has not provided any detailed analysis or evaluation of the many potentially significant impacts to ABAG employees. Although we are generally supportive of the concept of developing a new unified regional planning agency, any plan to merge ABAG and MTC must address and resolve the impacts and issues related to ABAG’s employees, retirees, benefits, and Union status.

For SEIU 1021 to support any merger plan, the ten following actions must be adopted as part of the merger implementation plan. We believe that these actions are reasonable and necessary to ensure a smooth and successful transition for the dedicated and professional employees responsible for implementing ABAG’s many programs, and we would be vehemently opposed to any merger plan that does not incorporate these actions.

1. All current ABAG employees and programs will be preserved under the new agency (alternative: until a fully-merged new agency with a new governing structure is created).

2. All ABAG staff will maintain their title and seniority and be integrated into the new agency according to their title and seniority.

3. Maintain ABAG employee Union status until the new agency and new governing structure is formalized.

4. Until a new agency and new governing structure is formalized, any changes to the terms of employment contractually agreed upon between SEIU 1021 and ABAG must be approved and/or negotiated by SEIU 1021.

5. Guarantee card check neutrality and the opportunity for employees to explore unionization within the new agency.

Executive Board
Priscilla Agbunag
Pete Albert
Nancy Atwell
Akar Bibb
Derrick Boutté
Gina Castillano
Gayle Chadwick
Gregory Correa
Evelyn Curiel
Rhea Davis
Kara Faucett
David Fleming
Nancy Ghanim
Cynthia Landry
Andrea Longoria
Renato Pena
Patricia Reynolds
Mercedes Riggelman
Valoria Russell-Benson
Eric Stern
Renita Terry
Denis Villanueva
Erika Watkins
Jim Wise
6. Ensure that all organizational and employee related decisions including hiring and firing must be approved by both the ABAG Executive Board and MTC Commission until the final governing structure and authority is formalized.

7. The new agency will honor all retirement benefits promised to current, former, and retired ABAG employees and assume all financial and other obligations, commitments, and liabilities for ABAG pensions, medical retirement benefits, and other retirement benefits.

8. Create a labor integration committee that includes SEIU 1021 representatives and that has the authority to negotiate the terms of employee, salary, and benefits integration in the new agency.

9. Create an independent integration oversight committee that includes labor representatives with authority to decide and implement integration policies and plans.

10. Hire a consultant to develop a plan for and facilitate integration of ABAG and MTC staff cultures and functions.

We look forward to working with the Joint Committee and Management Partners to develop a successful Merger Study that creates a stronger regional planning agency while protecting the people who make those programs successful. Please do not hesitate to contact Dana MacPherson, East Bay Director @ 510-207-3773 if you have any questions or would like to discuss this further.

Sincerely,

Dana MacPherson  
Field Director-East Bay  
SEIU Local 1021  

Lee Huo  
ABAG Chapter President  
SEIU Local 1021
Mr. James Spering, Chair  
Planning Committee  
Metropolitan Transportation Commission (MTC)  
101 Eighth Street  
Oakland, CA 94607

Ms. Julie Pierce, Chair  
Administrative Committee  
Association of Bay Area Governments (ABAG)  
101 Eighth Street  
Oakland, CA 94607

Dear Mr. Spering and Ms. Pierce:

Management Partners is pleased to transmit this Options Analysis and Recommendation Report for the ABAG-MTC Merger Study. This report evaluates seven options and the implementation of MTC Resolution 4210 in relation to how well each addresses the three problems we identified:

- Preparation of the region’s sustainable community strategy to reduce greenhouse gases is statutorily split between two regional agencies.
- Two agencies responsible for regional land use and transportation planning and associated services and programs are not formally linked by an integrated management, leadership, or policy structure.
- ABAG’s ongoing ability to implement its mission is compromised by its dependence on discretionary funding that will challenge its fiscal sustainability over the long run.

Based on our analysis and application of an established set of evaluation criteria, the report includes our recommendation regarding which alternative we believe best addresses the problems. Under our contractual agreement for the Merger Study, the next step is for the Joint Committee to select one option on April 22, and for us to prepare an implementation plan for that option. We hope our work to date has helped both agencies understand the choices before them and allows for an informed decision about those choices.

Sincerely,

Gerald E. Newfarmer  
President and CEO
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Executive Summary

The Association of Bay Area Governments (ABAG) was formed in 1961 by the region’s local jurisdictions, recognizing even then that the Bay Area had common issues that crossed jurisdictional boundaries that called for more comprehensive regional thinking. Unlike other major metropolitan areas in the country, when the federal government required that metropolitan areas create regional transportation planning agencies to better plan for and coordinate the distribution of federal transportation funds, the state legislature created a separate agency – the Metropolitan Transportation Commission (MTC) – to be the Bay Area’s Metropolitan Planning Organization (MPO). Elsewhere in California, the local Council of Governments (similar to ABAG) was designated the MPO, creating a single, unified regional planning agency for those regions.

ABAG and MTC subsequently worked together over the decades, one largely focused on land use and related issues, the other focused on transportation. Because transportation and land use are inextricably linked, the agencies have occasionally worked voluntarily together on various comprehensive regional plans and strategies for the region’s growth, and MTC has depended on ABAG for the regional land use forecasts that are the basis of transportation models. Periodically over the years, there have been efforts to combine the agencies into a single unified agency, but those efforts did not succeed.

With the adoption of SB 375 in 2008, the “voluntary association” between ABAG and MTC became a forced one. SB 375 required the agencies to produce a joint sustainable communities strategy (SCS) that would demonstrate how the region would reduce its greenhouse gases by encouraging a development pattern that reduced dependence on travel by car, and support that development pattern through transportation plans and investments. But as sometimes happens with forced relationships, by most accounts, it did not go smoothly. While the two agencies managed to work well enough together to produce Plan Bay Area (adopted in 2013), there were many bumps in the road on the way.
In 2015, as the agencies began work on the required update to Plan Bay Area, MTC felt there was a better way. Accordingly, in October 2015 MTC adopted Resolution 4210 (4210), which would create an integrated regional planning department by functionally consolidating MTC and most, but not all, ABAG planning staff into a single unit within MTC. As outlined in Resolution 4210, the respective SB 375 statutory responsibilities by ABAG and MTC for the development of the SCS, also known as Plan Bay Area (PBA) in the Bay Area, would remain the same after the functional consolidation of planning staff. The resolution reallocates MTC’s funding to ABAG for this purpose back to MTC and provides transitional financial assistance to ABAG for the next five years to mitigate the impact.

This resolution was believed by MTC to be the best near-term approach to carry out the land use and transportation planning responsibilities set forth in SB 375, streamline the preparation process, and eliminate duplicative efforts between MTC and ABAG planning staff. Resolution 4210 also includes a provision to undertake a merger study to explore alternatives to the functional consolidation of planning staff and provides that, should the two agencies agree to an alternative, 4210 would not be implemented. The ABAG Administrative Committee adopted a resolution expressing support of MTC’s resolution.

A joint committee (Joint Committee) composed of the ABAG Administrative Committee and the MTC Planning Committee was assigned responsibility for managing the merger study. In January 2016, MTC and ABAG hired Management Partners to conduct the merger study to examine the policy, management, financial, and legal implications associated with further integration, up to and including institutional merger between MTC and ABAG. The engagement also included the development of a merger implementation plan for any option selected by the Joint Committee. In the event that ABAG and MTC approve an alternative merger implementation plan prior to July 1, 2016, Resolution 4210 will not be implemented.

Since January, Management Partners has completed a range of activities including extensive interviews, many stakeholder meetings, research on alternative models and significant background research leading to this options analysis. This report provides the results of the options analysis as well as a recommendation for a path forward.
The Problem

Passed in 2008, SB 375 requires each of California’s 18 Metropolitan Planning Organizations (MPOs) to include a sustainable communities strategy (SCS) in the Regional Transportation Plan (RTP), both of which are required to be approved and adopted by MTC. The SCS sets forth a vision for regional growth that takes into account the region’s transportation, housing, environmental, and economic needs. The SCS is the blueprint by which each region intends to meet its greenhouse gas emissions reductions target. Plan Bay Area (PBA) is the region’s first SCS. It was adopted by the ABAG Executive Board and MTC in July 2013. An updated Plan Bay Area must be completed by 2017.

Management Partners met with the members of the Joint Committee in January 2016 and held a facilitated discussion with the Joint Committee on January 22, 2016. Additionally, a six year financial forecast of both agencies was conducted which concluded that ABAG needs to address a financial structural shortfall in the near term and develop a financial strategy that can sustain the agency if it is to continue its mission within its existing structure and framework.

As a result of those interviews and that discussion, and after an extensive stakeholder outreach process, on March 25, 2016, Management Partners set forth the three problems we believe the merger study should address:

1. Preparation of the region’s sustainable community strategy to reduce greenhouse gases is statutorily split between two regional agencies.

2. Two agencies responsible for regional land use and transportation planning and associated services and programs are not formally linked by an integrated management, leadership, or policy structure.

3. ABAG’s ongoing ability to implement its mission is compromised by a continued reliance on discretionary revenue that will challenge its fiscal sustainability over the long term.

Included within our problem statements was a list of consequences that we believe flowed from each of these problems. A complete description of the problems and their consequences may be found in Attachment A.
Conclusions about Implementation of MTC Resolution 4210 and Alternative Options

At the March 25 Joint Committee meeting, Management Partners presented nine options, which have since been modified and reduced to seven based on comments at the meeting and a review of commonalities of some options. Our conclusions and recommendation are based on a consideration of ABAG’s emerging financial issues, a close review of the options that in our view best respond to the problems identified, our analysis of general impacts, and the application of criteria we developed to evaluate identified options. They are also based on our own experience working on government reorganizations and mergers in California and across the country.

A full analysis of each option including implications for legal, management, financial, employee and policy impacts may be found in the Options Analysis section of this report, which provides significantly more information. A summary of conclusions for the Implementation of MTC Resolution 4210 and each option are presented below, followed by our recommendation to the Joint Committee.

Implementation of MTC Resolution 4210 – Consolidation of Most Planning Functions in MTC

Implementation of Resolution 4210 (4210) would address the first problem identified as this study began: having a single agency staff accountable for the preparation of Plan Bay Area 2017 (PBA 2017) and future PBAs. Both ABAG and MTC face a formidable task as they try to work together to prepare the SCS and PBA. No other metropolitan area of the State operates with the bifurcation of duties seen in the Bay Area. There is a reason for this. Under current law it is difficult and cumbersome to do what needs to be done using two separate agencies with separate cultures, staff and orientations and distinct, but important policy interests. As noted by the MTC executive director in his September 18, 2015 memo to the Commission regarding PBA 2013: “we simply spent too much time arguing over matters ranging from high-level policy to low-level minutia because there was no ability to break ties other than by one agency bowing to the other’s point of view.” Elected officials are placed in the difficult role of “breaking ties” when disputes arise and project management is made exponentially more difficult. Implementation of Resolution 4210 would begin to address this problem and begin the process of establishing a larger, more comprehensive
planning department that could potentially address other issues facing the region. However, it would leave intact indefinitely the existing bifurcation in policy responsibility between the two agencies, and create a new bifurcation with staff in one agency trying to serve the needs and interests of a separate agency. While it is feasible for this arrangement to work, it would need to be accompanied by a clear work program that ensures that ABAG’s statutory and policy responsibilities, interests and needs are addressed.

ABAG planners would be incorporated into a more financially stable organization with a different set of benefits and employee representation status.

Implementation of Resolution 4210 would change ABAG’s historic role as the regional land use planning agency in the region and compound the impact and seriousness of a financially struggling agency. Most stakeholders in the region understand ABAG to be the organization that addresses the region’s land use planning. It is perceived by most stakeholders as having a staff sensitive to local government interests, and its governing body as capable of representing the diversity of local government concerns. While ABAG would retain its policy role and statutory responsibilities following 4210, placing staff under the MTC administrative structure could lead to the perception that it has less influence.

Further, 4210 leaves three planning programs at ABAG:

1. The Regional Housing Needs Assessment (RHNA) process,
2. Resilience programs, and
3. The Bay Trail program.

The RHNA process is inextricably linked to a number of planning functions and cannot effectively be separated from the SCS process. Further, both ABAG and MTC support resilience programs that should be consolidated for efficiency, but more importantly, for effectiveness purposes. And the Bay Trail program is funded by MTC and is, in part, transportation related.

Although ABAG’s Administrative Committee adopted a resolution expressing support for 4210, our meetings with local government officials indicate that most local governments remain very concerned about the consequences of implementing the resolution. MTC continues to be perceived as the regional transportation agency, which of course it is. To become the comprehensive regional planning agency, it will need to
modify its approach to planning to be more inclusive and responsive to local governments, and significantly broaden its mission. While these changes would be challenging for any organization, this level of change is certainly possible and will perhaps be furthered by the incorporation of ABAG staff that have performed these functions in the past.

**Option 1 – No Structural Change**

Option 1 would not resolve any of the problems identified for this study. Although increased collaboration and a conflict resolution process could improve the PBA 2017 process, it would not resolve the fundamental issues that flow from having two agencies with different missions, staffs and governing boards, which effectively have overlapping responsibilities for development of the SCS. It would not address the transparency and accountability issues of PBA 2013. It would not address the underlying fragility of ABAG’s funding structure which is overly reliant on grants and an annual allocation of money from MTC. From MTC’s perspective, this option would leave it with an indefinite financial responsibility with little control over costs or performance. While ABAG would likely continue to survive under this option, the lack of sufficient, secure funding means it cannot fully take on the critical role that councils of governments (COGs) play elsewhere in the country: helping the region to address the major issues that it faces.

**Option 2 – Hire an Independent Planning Director to Manage all Planning Functions**

Option 2 has the potential to address the desire for a more accountable and streamlined PBA process while leaving staff in their respective agencies. But it would achieve this goal by creating a highly unusual and fragile organizational and policy structure with substantial potential for dysfunction.

At the staff level, it would be very challenging for an independent planning director to gain the support and loyalty of staff who are coming from two different agencies. It would be equally challenging for that position to build an effective team with combined staff, especially if the project is of limited duration and agency staff will be expected to re-integrate into their respective agencies at the end of the PBA process. If the new “planning group” were given a wider and longer-term planning mandate, then the issue of how to integrate that planning work into the overall work of the two agencies would arise. The goal of having a unified vision and implementation strategy to address the region’s issues
would be very difficult to achieve under this unusual policy and organizational structure.

By leaving in place the current financing structure, this option would not address ABAG’s financial condition in the long term, and would leave ABAG subject to MTC financing decisions in the future. From the MTC perspective, this option would leave it with an indefinite financial responsibility with little control over costs or performance. From the perspective of the new planning director, having both agencies agree to and fund a work program for the planning group is likely to be an annual challenge.

It would also perpetuate a regional planning process unlike anything seen in a major metropolitan area of the state.

**Option 3 – Establish a New Joint Powers Authority (JPA) to Oversee all Planning Functions**

This option has the potential to address the desire for a more accountable and streamlined PBA process, but at a cost. And, it will result in yet another government agency. Creating the new JPA will involve a significant effort in its own right, and is likely to trigger similar governance issues that are involved in creating a new comprehensive regional agency.

The first challenge is determining the common powers between the two agencies that could be delegated to the JPA. Determining the relationship between MTC and the new JPA in regard to the RTP is likely to be especially challenging because of the importance of the RTP to much of MTC’s programmatic and project work. Whether this JPA may be able to undertake work on the larger issues facing the region would depend on the willingness of the parent agencies to authorize and fund such work or to allow the JPA to seek its own funds. But even if it were to undertake that work, those plans will need to be integrated into the programs of MTC and/or ABAG. There will continue to be a divided policy development and implementation process. Rather than that process being divided between two agencies, it would be between three.

As with the previous option, leaving in place the current financing structure would not address ABAG’s already fragile finances, and would continue to leave ABAG subject to MTC financing decisions in the future. From the MTC perspective, this option would leave it with an indefinite financial responsibility with little control over costs or performance. From
the perspective of the JPA, having both agencies agree to and fund a work program for the JPA is likely to be an annual challenge.

Again this option would perpetuate a unique and separate planning approach, unlike any other in the state.

Option 4 – Create a New Regional Agency and Governance Model

Once a new agency is established, this option would address all three problems identified for this merger study: a more streamlined and accountable SCS process, a more unified and comprehensive approach to regional planning, and more secure and stable funding for regional planning. By creating a new agency rather than having one agency absorb another agency, it would allow an opportunity for all parties to agree on its mission and an equitable and representative governing structure (or structures).

A new agency would respond to the fundamental interests of the vast majority of stakeholders who are in agreement that the region would be better served by a more comprehensive approach to regional planning. A new agency also provides an opportunity for a more integrated, consistent, and comprehensive approach to all regional programs and services. With more cost-effective agency administration, a new agency would have additional resources to broaden its mission, become a partner with local governments, and address other issues of regional concern.

Until a new agency is established, ABAG would be required to address its financial instability. If an appropriate transition agreement could be reached through a contract with MTC, this option could also assist ABAG in addressing its financial issues through a more cost-effective administrative structure, a review of the cost effectiveness of some programs and services, and the incorporation of ABAG staff into a more financially robust, unified organization. Although Management Partners estimates significant administrative cost savings over time from implementation of this option, the impact on the new agency’s finances from potentially absorbing ABAG liabilities will need to be fully assessed before it is implemented.

The biggest obstacle to moving forward is most likely the perceived need to solve the governance structure at the outset, and fear of the outcome. How will the interests of smaller local governments be balanced against the larger ones? The smaller jurisdictions want their interests and unique circumstances to be respected and their concerns recognized in any
regional agency. They believe this is achieved in the current ABAG governance structure, although ABAG’s financial situation and SB 375 have mitigated its effectiveness.

The interests of the more populous cities and counties are that programs and funding serve those areas with the majority of the population of the region. These interests must also be recognized and respected in any governance structure. The large cities tend to believe that the MTC governance structure is more reflective of their interests, at least with respect to transportation planning and programming.

Local governments remain concerned that the effort to address regional issues places pressure on them to be responsive to regional concerns and priorities and erodes local control. The concern with governance also reflects the relatively large sums of money available for transportation projects in the Bay Area and the strong interest in their distribution around the region.

Balancing small and large jurisdiction interests of maintaining local control and of equitable distribution of transportation dollars are not unique to the Bay Area or to California. These tensions seem to be almost universal in regional agencies across the country. Elsewhere, these issues have been addressed through a variety of mechanisms, including special voting requirements for board decisions that help work towards consensus. While we have not surveyed the attitudes of local officials in the agencies profiled as part of this project regarding their respective regional agencies, our interviews with the executive directors indicated that the various decision-making systems in those agencies have worked relatively well to drive consensus.

Our survey of other regions also found many options for creating a single agency. In Chicago and in Washington DC, the MPO remains a separate entity with its own governing board, but with a single staff organization. The MPO Board acts with policy guidance from the larger umbrella organization, and in one organization, the MPO Board is considered a committee of the umbrella agency.

Management Partners believes the governance issue can be resolved with additional research about the effectiveness of different models, good will, and compromise. However, Option 4 would not address the presenting issue for this study: the desire for a more streamlined, transparent and accountable PBA 2017 process. By the time a new agency would be created, PBA 2017 would be close to completion or completed.
Option 5 – Create a New Comprehensive Regional Agency and Governance Model

Option 5 would achieve many of the same objectives as Option 4, and then some. It would allow for a much more comprehensive and unified approach to regional planning and to environmental protection. However, the already significant challenges involved in considering unification of ABAG and MTC would be exponentially increased by seeking to incorporate additional agencies.

If one was starting with the proverbial “clean sheet of paper” such an approach might be the best. Our concern with this approach is that perfection could become the enemy of better, and the Bay Area needs a better approach than it now has.

Option 6 – Execute a Contract between MTC and ABAG to Consolidate Planning Functions within MTC and Enter into an MOU to Create a New Regional Agency and Governance Model

Option 6 combines an initial phase of consolidating all planning staff followed by the creation of a new regional agency and governance structure. Both components (a contract and MOU) are intended to proceed simultaneously. As noted in Option 4, creation of a new regional agency would address two of the three problems identified by this study, and Option 6 would provide a near-term, partial solution to the third problem: a more streamlined and effective PBA 2017 process.

Option 6 would also address the stakeholder desire for a single agency responsible for planning the region’s future. A new agency also provides an opportunity for a more integrated, consistent and comprehensive approach to all regional programs and services. With more cost-effective administration, the new agency would have additional resources to broaden its mission, become a partner with local governments, and address other issues of regional concern.

Until a new agency is established, ABAG would be required to address its financial instability. If an appropriate transition agreement could be reached through a contract with MTC, this option could also assist ABAG in addressing its financial issues through a more cost-effective administrative structure, a review of the cost effectiveness of some programs and services, and incorporation of ABAG staff into a more financially robust, unified organization. Although Management Partners
estimates significant administrative cost savings over time from implementation of this option, the impact on the new agency’s finances from potentially absorbing ABAG liabilities will need to be fully assessed before this option is implemented.

This option would also partially address having a more streamlined, accountable, and transparent PBA 2017 process by having a unified staff under a single director and executive director.

In addition to increasing staff accountability and reducing duplication of staff effort for PBA 2017, combining all planners into a single department should allow improvements to the policy process that prompt an increase in transparency and efficiency for decision makers. However, until a new agency and a new governance structure are created, policy decision-making will remain bifurcated and transparency may not improve significantly. Future PBAs would presumably fully achieve the goal of a more streamlined and transparent process under a unified agency.

With this option, Management Partners proposes transferring all ABAG planning staff to MTC, as there would be no basis for leaving the three programs at ABAG as proposed by 4210. By combining all planning, this option would allow the new planning department greater flexibility to undertake new initiatives in the near term while the new agency is being created.

As noted in the discussion about Option 4, the fundamental issue with creating a new agency revolves around the question of governance. It remains unclear whether there is the necessary consensus and trust among the region’s local elected officials to move forward with creating a new regional agency and governance model. Entering into a memorandum of understanding (MOU) to do so would represent a formal agreement between the agencies to create a regional agency; however, depending on the rights and obligations set forth, it may or may not be legally binding.

**Option 7 – Enter into a Contract between ABAG and MTC to Consolidate Staff Functions under One Executive Director and Enter into an MOU to Pursue New Governance Options (Functional Consolidation)**

Both components of this option are intended to proceed simultaneously. This option would address two of the three identified problems and partially address the third. It would address the interest in having a more
accountable, streamlined and effective PBA 2017 process by combining all staff into one organization. Assuming appropriate agreements can be reached, this option could assist ABAG in addressing its financial challenges by allowing for a more cost-effective administrative structure, a realignment of programs and services, and the incorporation of all ABAG staff, programs and functions into a more financially stable and robust organization, with a different set of benefits and employee representation status. (The impact on current retiree benefits would need to be assessed.) Although Management Partners estimates significant administrative cost savings over time from implementing this option, the impact on MTC finances of absorbing ABAG staff and possible liabilities will need to be fully assessed before it is implemented.

ABAG would retain its role as a policy-making body, and would continue to provide oversight of its statutory responsibilities, as well as the services and programs under its purview. It would maintain its autonomy through a contract with MTC that sets forth roles and responsibilities, a work program and a budget to accomplish it. ABAG would have the authority to contract with consultants who can independently review work arising from staff to ensure it meets its interests and the intent of the contract. While the executive director would officially report to one oversight body (in this instance, the MTC Commission), Management Partners has seen many agencies where executive directors (or other chief executive officers) are responsible for meeting and balancing the interests of many competing stakeholder groups. In Washington DC and Chicago, the executive directors of the regional agencies have essentially two different governing boards whose interests they must address, and they have not indicated any significant issues in doing so. In other major regional agencies in the state, e.g., SACOG and SANDAG, the executive director must balance the interests of both the MPO and the COG, and does.

However, because there is no binding commitment to create a new regional agency or successor governance structure, this option would not address the issues associated with having two agencies with their own governing bodies responsible for the region’s land use and transportation planning. This option proposes that the regional governance issue specifically be reconsidered at a designated date in the future. Nonetheless, adoption of this option could be perceived as a bridge forward toward that objective.
A Path Forward

Option 6 provides the greatest opportunity for addressing the three problems identified for this study, consistent with the principles set forth and presented to the Joint Committee. As said many times by different stakeholders, there is a need for the Bay Area to consider and address complex, major issues over the next 5, 10 and 40 years. Those issues require integrated, comprehensive thinking about land use, transportation, social justice, environmental quality, and resource limitations. The seeds to create this type of comprehensive approach exist within MTC and ABAG, but each organization also faces real and perceptual challenges in meeting this need, and neither can do it alone. In any event, the existing two-agency (and some would say, four- or five-agency) Bay Area planning structure with its limited agency purviews cannot effectively integrate and efficiently address those issues in a holistic and comprehensive manner.

Although MTC has been moving to broaden its mission as a result of SB 375 and other issues, it is seen by most stakeholders in the Bay Area as too focused on transportation funding, projects, and program implementation. That has appropriately been its mission since its inception, and changing that mission to address a broader range of regional planning issues will be challenging, but not impossible. Broadening its mission to own and provide a wider range of regional planning services will be hampered by the perception by some stakeholders that it is not sufficiently sensitive to local governments and its governing body is not representative of local government interests in the region.

At the same time, ABAG’s influence and voice as the region’s land use planning agency has been impacted in part due to SB 375, but also (and as important) because it lacks the financial foundation on which to build a more robust planning program that can address the issues facing the Bay Area. Because ABAG is so dependent on grants for its survival, it is forced to be reactive to grant-makers’ priorities, rather than establish a coherent regional planning program that addresses the issues most important to it and its member agencies. Many stakeholders also see ABAG as hampered by its outdated and inefficient governance structure. Some members mistrust regional initiatives, which are perceived to be paralyzed by a focus on preserving local prerogatives (not land use authority).
Neither agency currently has the necessary support or resources to be an effective comprehensive regional planning agency. A new agency would, at the very least, be considerably more cost-effective and have a stable financial foundation. Gaining the necessary political support to create the agency will depend on defining an equitable governance structure that has the support of stakeholders.

As described in Option 4, the governance issues of concern here are the same across the country. Despite differences between regions, there seems to be some common strategies applied to address the regional governance concerns of small and large governments and those strategies seem to be effective. We want to emphasize that in at least two regions, the MPOs retained a different governance structure, but both were under the umbrella of a larger organization.

We believe there is considerable value to be added to this region by creating a new comprehensive and unified regional agency. As a result, we recommend Option 6 which contains a commitment to create a new regional agency and governance structure as best able to achieve that goal, while achieving some near-term improvements to the PBA 2017 process and future PBAs.

**Recommendation 1. Direct preparation of an implementation action plan and begin implementing Option 6.**

Based on the Joint Committee discussion to date, however, we also recognize that the political consensus and trust needed to move forward with creating a new regional agency and governance structure may not be there yet. Meanwhile, there is a need to address ABAG’s financial fragility, to create a more streamlined and effective PBA 2017 process, and to establish a stronger, more integrated staff platform for addressing the complex issues facing the region. If adopting Option 6 is a “bridge too far” at this time, Option 7 may be a path forward.

Option 7 should establish a clear contractual commitment to provide staff support for ABAG functions, roles and responsibilities in the region in a manner that ensures ABAG’s continued policy autonomy and independence. We believe this option would likely gain more support from local governments if it includes a strong commitment to consider the creation of a unified regional agency under a new governance structure at a specific point in the near term.
Recommendation 2. Direct preparation of an implementation action plan and begin implementing Option 7 (if Option 6 is rejected).