

FY 2021 - 2022 FINANCIAL REPORTS AND YEAR END AUDIT RESULTS

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Derek Hansel,
Chief Financial Officer



ASSOCIATION
OF BAY AREA
GOVERNMENTS

Association of Bay Area Governments (ABAG)

ABAG was created by local governments to meet their planning and research needs related to land use, environmental and water resource protection, disaster resilience, energy efficiency and hazardous waste mitigation. In addition to the planning function, ABAG runs two major grant funded programs: San Francisco Estuary Partnership (SFEP) and Bay Area Regional Energy Network (BayREN).



Statement of Net Position

- Assets
 - Total assets increased \$6.8 million, mainly due to higher receivable balance as of June 30, 2022, from the state grants and net OPEB asset.
- Liabilities
 - Total liabilities decreased by \$2.1 million, primarily due to decrease in net pension liabilities which offset by an increase in unearned revenue from the state grant advance and timing in outstanding vendor invoice.
- Net Position
 - The negative net position (\$9.8 million)
 - Adjusted net position \$4.9 million
 - Pension liability \$10.3 million
 - Capital assets \$ 4.4 million

Statement of Net Position

The following table is a summary of ABAG's Statement of Net Position as of June 30 for the last two fiscal years:

| | 2022 | 2021 |
|----------------------------------|-----------------------|-----------------------|
| Assets | | |
| Current and other assets | \$ 32,692,105 | \$ 25,574,434 |
| Capital assets | 4,438,677 | 4,771,050 |
| Total assets | <u>37,130,782</u> | <u>30,345,484</u> |
| Deferred outflows of resources | <u>2,808,888</u> | <u>3,128,066</u> |
| Liabilities | | |
| Other liabilities | 23,977,193 | 21,169,683 |
| Long term liabilities | 14,160,837 | 19,042,901 |
| Total liabilities | <u>38,138,030</u> | <u>40,212,584</u> |
| Deferred inflows of resources | <u>11,579,685</u> | <u>950,609</u> |
| Net position: | | |
| Net investment in capital assets | 4,438,677 | 4,771,050 |
| Unrestricted (deficit) | <u>(14,216,722)</u> | <u>(12,460,693)</u> |
| Total net position | <u>\$ (9,778,045)</u> | <u>\$ (7,689,643)</u> |

Statement of Revenues, Expenses and Changes in Fund Balance

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of ABAG's Statement of Revenues, Expenses, and Changes in Net Position for the last two fiscal year ended June 30:

| | 2022 | 2021 |
|---|-----------------------|-----------------------|
| Operating revenues | | |
| Membership dues | \$ 2,447,663 | \$ 2,410,210 |
| Conference registration | - | 22,000 |
| Other operating revenues | 36,814 | 158,326 |
| Total operating revenues | <u>2,484,477</u> | <u>2,590,536</u> |
| Operating expenses | | |
| Contracted salaries and benefits | 4,265,420 | 2,339,501 |
| Professional fees | 713,264 | 634,070 |
| Other operating expenses | 1,019,274 | 1,037,865 |
| Total operating expenses | <u>5,997,958</u> | <u>4,011,436</u> |
| Operating loss | <u>(3,513,481)</u> | <u>(1,420,900)</u> |
| Nonoperating revenues/(expenses) | | |
| Grants | 38,797,304 | 29,248,167 |
| Contracted salaries and benefits | (2,583,612) | (2,292,276) |
| Professional fees | (35,212,731) | (25,971,309) |
| Other nonoperating revenues | 1,335,459 | 105,759 |
| Other nonoperating expenses | (911,341) | (1,503,160) |
| Total nonoperating revenues (expenses) | <u>1,425,079</u> | <u>(412,819)</u> |
| Change in net position | <u>(2,088,402)</u> | <u>(1,833,719)</u> |
| Net position - beginning | <u>(7,689,643)</u> | <u>(5,855,924)</u> |
| Net position - ending | <u>\$ (9,778,045)</u> | <u>\$ (7,689,643)</u> |

- ABAG ended FY 2022 with a net operating loss of \$3.5 million, mainly due to pension cost related to GASB Statement No. 68.
- Operating revenue of \$2.5 million, down \$106 thousand, primarily due to no conference registration collected in FY2022 and decrease in other operating revenue which includes donation.
- Operating expense of \$6 million, up \$1.9 million, mainly from higher operating expenses in contracted salaries and benefits that includes recognition of pension and OPEB expenses.
- Nonoperating revenue and expenses increased by \$1.8 million, from FY 2021.
 - Total nonoperating revenue consists of grant revenue and other nonoperating revenues. In FY 2022 ABAG's grant revenue increased by \$9.5 million, mainly due to the increase in grant revenue from California Public Utilities Commission, Department of Water Resource and REAP.
 - ABAG's total non-operating expenses increased by \$9.4 million, from FY 2021. The increase in total nonoperating expenses was mainly due to the increase in contracted professional fees related to grant funded project expenses.
- The primary contributor to the decrease in net position was the ongoing unfunded pension cost related to GASB Statement No. 68.

Other Post Employment Benefits (OPEB)

- The OPEB has gone from an unfunded liability to fully funded asset.
- At the end of FY 2022 ABAG had a positive account balance of \$2.9 million, an increase of \$2.1 million.

Association of Bay Area Governments
Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios (unaudited)
For the Year Ended June 30, 2022
Last Ten Years *

Schedule III

| Measurement Period | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|--------------|--------------|--------------|--------------|----------------|
| Changes in Total OPEB liability | | | | | |
| Service cost | \$ 6,314 | \$ - | \$ - | \$ - | \$ - |
| Interest on the total OPEB liability | 499,585 | 500,228 | 499,860 | 474,766 | 472,072 |
| Difference between actual and expected experience | - | - | (162,855) | - | (458,748) |
| Changes of assumptions | - | - | (183,250) | - | 120,982 |
| Benefit payments | (485,483) | (494,650) | (516,714) | (534,301) | (495,074) |
| Net change in total OPEB liability | 20,416 | 5,578 | (362,959) | (59,535) | (360,768) |
| Total OPEB liability - beginning | 7,637,694 | 7,658,110 | 7,663,688 | 7,300,729 | 7,241,194 |
| Total OPEB liability - ending (a) | \$ 7,658,110 | \$ 7,663,688 | \$ 7,300,729 | \$ 7,241,194 | \$ 6,880,426 |
| Changes in OPEB fiduciary net position | | | | | |
| Benefit payments | \$ (485,483) | \$ (494,650) | \$ (516,714) | \$ (534,301) | \$ (495,074) |
| Contribution from employer | 774,994 | 766,499 | 773,664 | 987,853 | - |
| Net investment income | 562,294 | 469,061 | 438,625 | 288,260 | 2,266,684 |
| Administrative expenses | (2,814) | (12,593) | (2,556) | (5,225) | (4,117) |
| Net change in plan fiduciary net position | 848,991 | 728,317 | 693,019 | 736,587 | 1,767,493 |
| Plan fiduciary net position - beginning | 5,098,527 | 5,947,518 | 6,675,835 | 7,368,854 | 8,105,441 |
| Plan fiduciary net position - ending (b) | \$ 5,947,518 | \$ 6,675,835 | \$ 7,368,854 | \$ 8,105,441 | \$ 9,872,934 |
| Plan net OPEB liability/(asset) - ending (a) - (b) | \$ 1,710,592 | \$ 987,853 | \$ (68,125) | \$ (864,247) | \$ (2,992,508) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 77.66% | 87.11% | 100.93% | 111.94% | 143.5% |
| Covered-employee payroll ** | \$ 6,655,535 | \$ 126,057 | \$ - | \$ - | \$ - |
| Plan net OPEB liability/(asset) of as a percentage of covered-employee payroll | 25.70% | 783.66% | N/A | N/A | N/A |

Net Pension Liability

- Net pension liability is \$10.3 million, down \$6.1 million.
- The last covered payroll was FY 2017.
- Changes in PERS actuarial values could impact future liability.

**Association of Bay Area Governments,
Cost-Sharing Defined Benefit Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (unaudited)
As of fiscal year ending June 30, 2022
Last Ten Years***

Schedule I

| Measurement Date | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan | Miscellaneous Plan |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Tier I & II 2014 | Tier I & II 2015 | Tier I & II 2016 | Tier I & II 2017 | Tier I & II 2018 | Tier I & II 2019 | Tier I & II 2020 | Tier I & II 2021 |
| Employer's proportion of the collective net pension liability | 0.4744 % | 0.4738 % | 0.4246 % | 0.4132 % | 0.4141 % | 0.4016 % | 0.3898 % | 0.5438 % |
| Employer's proportionate share of the collective net pension liability | \$ 11,357,673 | \$ 12,998,297 | \$ 14,749,850 | \$ 16,288,587 | \$ 15,604,366 | \$ 16,083,129 | \$ 16,441,481 | \$ 10,325,576 |
| Employer's covered payroll ** | \$ 6,847,411 | \$ 6,198,473 | \$ 6,036,594 | \$ 5,832,772 | \$ 74,655 | \$ - | \$ - | \$ - |
| Employer's proportionate share of the collective net pension liability as a percentage of the employer's covered payroll | 165.87 % | 209.70 % | 244.34 % | 279.26 % | 20,901.97 % | N/A | N/A | N/A |
| The pension plan's fiduciary net Position as a percentage of the total pension liability | 81.15 % | 79.89 % | 75.87 % | 75.39 % | 77.69 % | 77.73 % | 77.71 % | 90.49 % |

Questions and Discussion