

# Association of Bay Area Governments

## Finance Committee

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May 21, 2026

Agenda Item 6.a.

Proposed FY 2026-27 Operating Budget and Work Program

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### Subject

Adoption of Resolution No. 5-2026, authorizing the Association of Bay Area Governments (ABAG) Proposed Fiscal Year (FY) 2026-27 Operating Budget and Work Program for referral to the ABAG General Assembly for final review and approval at its annual meeting.

### Background:

In accordance with Article XI.B of the Association of Bay Area Governments (ABAG) Bylaws, the Executive Director is required to submit a proposed budget and work program to the Executive Board at least 20 days prior to the annual General Assembly meeting. This submission includes the annual membership fee and assessment schedules, as well as a summary of revenues and expenses—both actual and projected—for the current and upcoming fiscal years. The Executive Board reviews and amends the proposed budget and work program as needed before forwarding them to the General Assembly for final review and adoption.

The proposed ABAG Work Program for FY 2026-27 (Attachment C) provides an overview of all programs and initiatives undertaken by ABAG. It highlights key accomplishments from FY 2025-26 and outlines planned activities for FY 2026-27 across core areas, including Regional Planning and Collaboration, Public Engagement, Data Strategy and Analytics, Housing and Energy, Water Quality Improvements, Habitat Restoration, and Climate Adaptation, and Legislation and Public Affairs.

The proposed FY 2026-27 ABAG Budget reflects the allocation of revenues and expenditures across all operating funds, including ABAG Administration, the Bay Area Regional Energy Network (BayREN), and the San Francisco Estuary Partnership (SFEP).

Separate from this item, the FY 2026-27 operating budgets for the ABAG Finance Authority for Nonprofit Corporations (FAN) and ABAG Publicly Owned Energy Resources (POWER) will be presented to their respective governing boards for review and approval.

The following section provides an overview of ABAG's FY 2026-27 budget by major program area, highlighting key revenue sources, primary cost drivers, and notable year-over-year changes in both funding and expenditures. ABAG's revenues are primarily derived from a combination of grant funding, program revenues, and administrative sources, with a significant portion tied to multi-year federal, state, and regional funding programs. As a result, annual revenue projections can vary based on the timing, availability, and lifecycle of these funding sources.

### ABAG Administration

The Association of Bay Area Governments (ABAG) is a Joint Powers Authority (JPA) and serves as the Council of Governments (COG) for the San Francisco Bay Area region. ABAG

# Association of Bay Area Governments

## Finance Committee

---

May 21, 2026

Agenda Item 6.a.

---

### Proposed FY 2026-27 Operating Budget and Work Program

---

provides its member jurisdictions with regional planning support, housing data and analysis, and technical assistance resources. Member agencies contribute annual dues based on an established fee structure.

The proposed ABAG Administration Budget for FY 2026-27 totals \$4.0 million. The primary source of revenue is membership dues, which are proposed to increase to \$3.3 million, representing a 3% increase from FY 2025-26. A detailed membership dues schedule is provided in Attachment A.

Despite this increase, membership dues alone remain insufficient to fully cover ongoing administrative expenses. These costs include obligations such as the amortization of unfunded pension liabilities, ABAG's common area condominium ownership assessment for the 375 Beale Street, San Francisco headquarters, and other core administrative functions.

#### Retirement Costs:

Total retirement-related expenses are projected at \$2.8 million, including \$2.2 million for the amortization of unfunded pension liabilities, which accounts for approximately 67% of the proposed membership dues. ABAG has proactively funded its Other Post-Employment Benefits (OPEB) liability and receives full reimbursement for retiree medical costs through the California Employers' Retiree Benefit Trust (CERBT).

#### Operating Expenses:

General operating expenses and contractual services total approximately \$1.2 million, including ongoing obligations such as the 375 Beale Street common area ownership assessment and insurance costs. The budget also incorporates a \$90,000 transfer from the ABAG Finance Authority for Nonprofit Corporations (FAN).

The proposed budget results in a projected \$12 thousand operating surplus, reflecting a balanced but constrained financial position.

While the FY 2026-27 budget is balanced, ABAG's financial position remains constrained due to significant long-term obligations. Continued financial discipline and strategic planning will be necessary to maintain operational stability and address future cost pressures.

#### Bay Area Regional Energy Network (BayREN)

The Bay Area Regional Energy Network (BayREN) delivers energy efficiency programs and services to residents and communities across the San Francisco Bay Area. In July 2023, the California Public Utilities Commission (CPUC) approved BayREN's 2024–2031 Strategic Business Plan, expanding its portfolio to include enhanced equity initiatives, public sector programs, refrigerant replacement, and workforce development.

The proposed FY 2026-27 BayREN budget totals \$67.1 million, including \$61.5 million in CPUC grant funding to support ongoing and new initiatives. Operating revenue decreases by

## Association of Bay Area Governments

### Finance Committee

---

May 21, 2026

Agenda Item 6.a.

---

#### Proposed FY 2026-27 Operating Budget and Work Program

---

approximately \$22.2 million compared to FY 2025-26, primarily due to changes in how funds were allocated by fiscal year and the planned drawdown of CPUC carryover funds from prior grant periods. Despite this reduction, BayREN expanded its successful Home Energy Score (HES) program statewide in 2026. This program provides certified home energy assessments, tailored recommendations for efficiency improvements, and potential rebates, supporting residential decarbonization efforts across California. The expanded Home Energy Score California program is funded through a co-funding revenue stream from the state's investor-owned utilities, including Pacific Gas and Electric (PG&E), Southern California Edison (SCE), San Diego Gas & Electric (SDG&E), and Southern California Gas Company (SoCalGas).

Projected expenses are primarily driven by program incentives, operational support, and staffing needs, with the following key components reflected in the 2026-27 proposed budget:

- Direct Incentives: \$35.2 million (52.4% of the budget), a decrease of \$3.8 million compared to FY 2025-26
- Operating and Consultant Costs: \$28.2 million, a decrease of \$18.8 million, primarily due to the timing and drawdown of prior grant funding
- Staffing and Overhead: \$3.7 million, an increase of \$0.3 million, reflecting ongoing program support needs and inclusion of a 3.8% Cost-of-Living Adjustment (COLA), consistent with Metropolitan Transportation Commission Memorandums of Understanding

BayREN's application for the next eight-year funding cycle (2028-2035) was submitted to the CPUC in March, and a decision is anticipated in FY 2026-27. A budget amendment will be required to incorporate this new funding once it is formally awarded.

While the current budget appears as a decrease due to changes in how funds were allocated to fiscal years and the expenditure of carryover grant funds from previous years, BayREN's operations will continue at a similar level and BayREN is positioned for continued growth, with expanded program scope and anticipated future funding to support long-term energy efficiency, climate and equity initiatives.

#### San Francisco Estuary Partnership (SFEP)

The San Francisco Estuary Partnership (SFEP) was established as part of the National Estuary Program to protect, enhance, and restore the San Francisco Estuary. SFEP is primarily funded through grants from the United States Environmental Protection Agency (EPA) and the California Department of Water Resources (DWR). These funds support critical initiatives such as wetland restoration and monitoring, water quality improvements, pollution prevention, and regional resilience efforts in partnership with local jurisdictions.

# Association of Bay Area Governments

## Finance Committee

---

May 21, 2026

Agenda Item 6.a.

---

### Proposed FY 2026-27 Operating Budget and Work Program

---

Projected FY 2026-27 revenue totals \$32.3 million, representing a \$5.1 million decrease from FY 2025-26, primarily due to the expiration of several federal, state, and local grant awards. This reduction in funding is reflected in corresponding adjustments to program expenditures. A detailed listing of awarded grants is provided in Attachment A.

While current funding is declining, new grant funding is anticipated in FY 2026-27 to support the continuation of SFEP's core programs and initiatives. Upon receipt of these new grant awards, a budget amendment is expected to incorporate additional funding and align spending with updated program resources.

Projected expenses include:

- Non-Staff Expenses: \$28.1 million, a decrease of \$5.6 million, reflecting reduced funding levels tied to expiring grants
- Staffing and Overhead: \$4.2 million, an increase of \$0.4 million, supporting continued program delivery and oversight and inclusion of a 3.8% Cost-of-Living Adjustment (COLA), consistent with Metropolitan Transportation Commission Memorandums of Understanding

In addition, a separate SFEP Conference budget of \$0.7 million supports the biannual State of the Estuary Conference, funded through donations and registration fees.

In summary, the FY 2026–27 Operating Budget reflects a balanced and strategically aligned financial plan that supports ABAG's core programs and regional priorities. While overall revenues and expenditures fluctuate primarily due to the timing of grant funding cycles, the organization continues to advance critical initiatives in regional planning, energy efficiency, environmental stewardship, and housing.

The budget also highlights ongoing structural challenges, particularly related to long-term obligations and reliance on external funding sources. Continued financial discipline, proactive planning, and pursuit of diversified funding opportunities will be essential to maintaining operational stability and advancing ABAG's mission.

Overall, the proposed budget positions ABAG to effectively deliver programs and services while navigating a dynamic funding environment and planning for long-term sustainability

#### Resolution No. 5-2026

Staff is requesting approval of ABAG Resolution No. 5-2026 authorizing the Proposed FY 2026-27 ABAG Operating Budget and Work Program and all affiliated funds and entities. Resolution No. 5-2026 includes authorization to administer the budget following approval by the General Assembly. The authorization includes:

## Association of Bay Area Governments

### Finance Committee

May 21, 2026

Agenda Item 6.a.

#### Proposed FY 2026-27 Operating Budget and Work Program

- Authorization to carryover and re-budget all grants properly approved and budgeted in previous budgets.
- Authorization to carryover and re-budget all contracts and expenses properly approved and budgeted in previous budgets.
- Authorization for the Executive Board to approve all contracts and expenses incorporated in the adopted FY 2026-27 budget.
- Authorization for the Executive Board to amend the adopted budget for any new and additional revenue sources, including appropriate additional expenses.
- Authorization for the Executive Director to approve all contracts \$200,000 and below, provided the funds are available and included in the adopted budget.
- Authorization for the Chief Financial Officer to correct any obvious errors in the drafting, presentation, and publishing of the adopted budget.

#### Recommended Action:

The ABAG Executive Board is requested to forward and recommend ABAG General Assembly adoption of ABAG Resolution No. 5-2026—Approval of the Association of Bay Area Governments Fiscal Year 2026-27 Operating Budget and Work Program.

#### Attachments:

- A. ABAG Proposed FY 2026-27 Operating Budget Schedules and Membership Dues
- B. Resolution No. 5-2026 ABAG FY 2026-27 Operating Budget and Work Program
- C. Proposed FY 2026-27 Budget and Work Program
- D. Presentation: ABAG Proposed FY 2026-27 Operating Budget

#### Reviewed:



Andrew Fremier