

Association of Bay Area Governments

Finance Committee

April 17, 2025

Agenda Item 6.a.

Proposed FY 2025-26 Operating Budget and Work Program

Subject

Adoption of Resolution No. 7-2025 authorizing the Proposed Fiscal Year (FY) 2025-26 Association of Bay Area Governments (ABAG) Operating Budget and Work Program for referral to the ABAG General Assembly for final review and approval at its annual meeting

Background:

According to Article XI.B of the Association of Bay Area Governments (ABAG) Bylaws, at least 45 days prior to the annual meeting of the General Assembly, the Executive Director submits to the Executive Board a proposed budget and work program, including annual membership fee and assessment schedules, summary of revenue and expense, actual and projected, for the current and next fiscal years. The Executive Board reviews the proposed budget and work program, amending as necessary, and submits them to the General Assembly for review and adoption.

The proposed ABAG Work Program for FY 2025-26, included in this item as Attachment D, includes a summary description of all the programs and projects conducted by ABAG, including highlights of work completed in FY 2024-25 and plans for FY 2025-26. The FY 2025-26 work program describes the continued work in the Regional Planning Program, Local Government Services, Regional Trails, and Legislation and Public Affairs. The proposed ABAG Budget for FY 2025-26 includes allocation of revenue and expenses for all ABAG operating funds, including ABAG Administration, ABAG Grants, ABAG Bay Area Regional Energy Network (BayREN), and ABAG San Francisco Estuary Partnership (SFEP).

The FY 2025-26 ABAG Finance Authority for Nonprofit Corporations (FAN) and ABAG Publicly Owned Energy Resources (POWER) operating budgets will be presented separately to their respective governing boards.

The ABAG revenue budget is \$128.6 million, which is an overall projected increase of \$35.5 million compared to FY 2024-25. Summarized revenue details include:

	FY 2024-25	FY 2025-26
Revenue	(millions)	(millions)
Administration	\$ 3.8	\$ 3.8
ABAG Grants	5.8	2.9
BayREN-Energy	39.4	79.1
SFEP	44.1	42.8
Total	\$ 93.1	\$ 128.6

In FY 2025-26, both BayREN and SFEP continue to spend significant grant funding contributions from the California Public Utilities Commission (CPUC), the Environmental Protection Agency (EPA), and the California Department of Water Resources (DWR) to

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increase energy savings, advance wetland restoration and monitoring, improve water quality, and programs preventing water pollution and partnerships with coastal cities and wastewater treatment plants focused on resiliency.

The increase in the FY 2025-26 BayREN budget reflects available grant funding that had been budgeted in prior fiscal years but has not been spent. The CPUC grant allows unspent balances to be spent within the grant period, so funds are available until December 2027. BayREN and its partners have been adapting to the additional resources made available by CPUC in 2023 and staff anticipate expenditures to increase over the next several months. The ABAG Grant revenue is reduced as implementation of the Regional Early Action Planning and California State Coastal Conservancy grant funding is mostly complete.

ABAG Administration

The proposed ABAG Administration Budget for FY 2025-26 is \$3.81 million. The primary source of revenue is membership dues, which is proposed to increase to \$3.2 million, up 3% from FY 2024-25. The detailed membership dues schedule is attached (see Attachment B). While this increase is insufficient to cover increases in expenses, staff is proposing a \$160,000 transfer from the Finance Authority for Nonprofit Corporations' (FAN) fund balance to reduce the projected operating deficit. Member dues are still insufficient to fully cover ongoing expenses, including amortization of unfunded pension obligations, ABAG's contribution for maintaining the Bay Area Metro Center, and other administrative costs.

Total retirement expenses are \$2.8 million, a \$0.1 million increase from FY 2024-25. ABAG has pre-funded its Other Post-Employment Benefits (OPEB) liability and receives full reimbursement from the California Employers' Retiree Benefit Trust (CERBT) for retiree medical expenses. As described in ABAG's Financial Statements for the year ended June 30, 2024, based on current discount rate and healthcare cost assumptions, ABAG has an OPEB asset and is able to continue covering its liability without additional contributions. Therefore, the \$0.5 million of retiree health care costs will be covered by a withdrawal from the trust. On the other hand, the amortization of the unfunded accrued pension liability of \$2.3 million requires approximately 72% of all membership dues.

General operating expenses, contractual services, and transfers total \$1.2 million, a \$32 thousand reduction when compared with FY 2024-25. This includes ongoing commitments such as 375 Beale assessment, insurance costs, and ABAG's contribution to the Bay Area Regional Collaborative (BARC). The proposed budget results in a \$291 thousand operating deficit. Staff anticipates that this projected deficit would be covered by a combination of higher than anticipated interest earnings and lower than budgeted expenses in FY 2024-25, such that the projected fund balance at the end of FY 2025-26 would be equal to the budgeted FY 2024-25 fund balance.

While the FY 2025-26 proposed budget deficit is funded by a transfer from ABAG FAN and a draw from fund balance, ABAG continues to be in a challenging financial position. CalPERS'

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current estimate for the FY 2026-27 amortization of the unfunded accrued pension liability is \$2.3 million – no change from the current level and requiring more than 70% of the proposed membership dues. Other costs anticipated in the upcoming fiscal years include increased cost for maintaining the Bay Area Metro Center and cost allocation of a new Enterprise Resource Planning system.

ABAG Administration	FY 2024-25 Amendment No. 1	FY 2025-26 Proposed	Difference \$
	(Thousands \$)	(Thousands \$)	(Thousands \$)
Revenues			
Membership Dues	\$3,140	\$3,234	\$94
Interest & Other Revenue	615	577	(39)
Total Revenues	\$3,755	\$3,810	\$55
Expenses			
Pension	\$2,139	\$2,316	\$177
OPEB	558	517	(41)
375 Beale Assessment	208	205	(3)
Insurance	250	279	29
Other	800	739	(61)
Total Expenses	\$3,955	\$4,056	\$101
Transfers			
ABAG FAN (Transfer In)	-	\$160	\$160
BARC (Transfer Out)	(203)	(205)	(2)
Total Transfers	(\$203)	(\$45)	\$158
Operating Surplus/(Deficit)	(\$403)	(\$291)	\$112

Bay Area Regional Energy Network (BayREN)

BayREN facilitates energy efficiency projects to residents and communities throughout the San Francisco Bay Area Region. In July 2023, the CPUC approved BayREN's 2024-2031 Strategic

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Business Plan, which added new equity initiatives, an expanded portfolio that includes public sector, refrigerant replacement, and workforce programs. BayREN was also approved to be the lead of a statewide Home Energy Score program, the first time that a non-utility has been selected as lead.

The proposed FY 2025-26 BayREN budget is \$79.1 million. This includes \$79.0 million in grant funding from CPUC to support ongoing and new initiatives. Direct incentives, which make up 49.2% of the budget, are \$38.9 million, a \$22.3 million increase from FY 2024-25. General operating expenses and consultant costs are \$37.1 million, a \$17.6 million increase from FY 2024-25. These increases reflect available grant funding that had been budgeted in prior fiscal years but has not been spent. BayREN is allowed to spend this grant funding within the grant period and staff anticipates higher expenditures in the coming months. Staffing and overhead costs are \$3.1 million, a \$0.1 million decrease from FY 2024-25.

San Francisco Estuary Partnership (SFEP)

SFEP was created as part of the National Estuary Program to protect, enhance, and restore the San Francisco Estuary. SFEP is funded through a series of grants, primarily through the California Department of Water Resources (DWR) and the United States Environmental Protection Agency (EPA). The proposed budget for FY2025-26 is \$42.3 million, a \$1.3 million decrease from FY 2024-25. A complete listing of awarded grants is included in Attachment A.

On the expense side, proposed non-staff expenses are \$38.7 million, a decrease of \$1.6 million from FY 2024-25. Proposed staff and overhead costs are \$3.7 million, an increase of \$0.2 million from FY2024-25. SFEP continues to implement EPA and DWR grants awarded over the last few years and is closely monitoring changes to federal guidance.

Resolution No. 7-2025

Staff is requesting approval of ABAG Resolution No. 7-2025 authorizing the Proposed FY 2025-26 ABAG Operating Budget and Work Program and all affiliated funds and entities. Resolution No. 7-2025 includes authorization to administer the budget following approval by the General Assembly. The authorization includes:

- 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 2025-26 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.

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- 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. 7-2025—Approval of the Association of Bay Area Governments Fiscal Year 2025-26 Operating Budget and Work Program.

Attachments:

- A. Proposed ABAG FY 2025-26 Operating Budget Schedules and Membership Dues
- B. Resolution No. 7-2025 FY 2025-26 ABAG Operating Budget and Work Program
- C. Proposed FY 2025-26 Budget and Work Program
- D. Presentation: Proposed FY 2025-26 ABAG Operating Budget

Reviewed:



Andrew Fremier