



375 Beale Street  
Suite 700  
San Francisco, California  
94105

## Meeting Agenda - Final

### ABAG Finance Committee

*Chair, Karen Mitchoff, Supervisor, County of Contra Costa*  
*Vice Chair, Erin Hannigan, Supervisor, County of Solano*

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Thursday, November 19, 2020

5:30 PM

Board Room - 1st Floor (REMOTE)

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#### Association of Bay Area Governments Finance Committee

The ABAG Finance Committee will be meeting on November 19, 2020, 5:30 p.m., in the Bay Area Metro Center (Remotely). In light of Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak and in accordance with Executive Order N-29-20 issued by Governor Newsom on March 17, 2020 and the Guidance for Gatherings issued by the California Department of Public Health, the meeting will be conducted via webcast, teleconference, and Zoom for committee, commission, or board members who will participate in the meeting from individual remote locations.

A Zoom panelist link for meeting participants will be sent separately to committee, commission, or board members.

The meeting webcast will be available at: <https://abag.ca.gov/meetings-events/live-webcasts>

Members of the public are encouraged to participate remotely via Zoom at the following link or phone number.

Please click the link below to join the webinar:

<https://bayareametro.zoom.us/j/89467804143>

Or iPhone one-tap :

US: +16699006833,,89467804143# or +14086380968,,89467804143#

Or Telephone:

Dial(for higher quality, dial a number based on your current location):

US: +1 669 900 6833 or +1 408 638 0968 or +1 346 248 7799 or +1 253 215 8782 or +1 301 715 8592 or +1 312 626 6799 or +1 646 876 9923 or 888 788 0099 (Toll Free) or 877 853 5247 (Toll Free)

Webinar ID: 894 6780 4143

Detailed instructions on participating via Zoom are available at:

<https://abag.ca.gov/zoom-information>

Committee members and members of the public participating by Zoom wishing to speak should use the “raise hand” feature or dial “\*9”.

In order to get the full Zoom experience, please make sure your application is up to date.

Members of the public may participate by phone or Zoom or may submit comments by email at [info@bayareametro.gov](mailto:info@bayareametro.gov) by 5:00 p.m. the day before the scheduled meeting date. Please include the committee or board meeting name in the subject line. Due to the current circumstances there may be limited opportunity to address comments during the meeting. All comments received will be submitted into the record.

The ABAG Finance Committee may act on any item on the agenda.

The meeting is scheduled to begin at 5:30 p.m.

Agenda, roster, and webcast available at <https://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

#### Roster

Jesse Arreguin, Cindy Chavez, Dave Cortese, Scott Haggerty, Erin Hannigan, Karen Mitchoff, Julie Pierce, David Rabbitt, Belia Ramos

### 1. Call to Order / Roll Call / Confirm Quorum

### 2. Public Comment

*Information*

### 3. Committee Member Announcements

*Information*

### 4. Chair's Report

- 4.a. [20-1542](#) ABAG Finance Committee Chair's Report for November 19, 2020

Action: Information

Presenter: Karen Mitchoff

### 5. Consent Calendar

- 5.a. [20-1543](#) Approval of ABAG Finance Committee Minutes of September 17, 2020

Action: Approval

Presenter: Clerk of the Board

Attachments: [Item 05a Finance Minutes 20200917 Draft.pdf](#)

### 6. Financial Statements

- 6.a. [20-1544](#) Report on ABAG Financial Statements for Period Ended August 31, 2020 (Unaudited)

**Action:** Approval

**Presenter:** Brian Mayhew

**Attachments:** [Item 06a 1 Summary Sheet Financial Statements as of August 31 2020.pdf](#)  
[Item 06a 2 Attachment Financial.pdf](#)

## 7. Contracts and Purchase Requisitions

- 7.a. [20-1545](#) Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from July to August 2020

**Action:** Approval

**Presenter:** Brian Mayhew

**Attachments:** [Item 07a Summary Sheet Contracts Between 20K and 50K.pdf](#)

## 8. Investments

- 8.a. [20-1546](#) Report on ABAG Investments for Period Ended August 2020

**Action:** Approval

**Presenter:** Brian Mayhew

**Attachments:** [Item 08a 1 Summary Sheet Report Investments August 2020.pdf](#)  
[Item 08a 2 Attachment Investment Report.pdf](#)

## 9. Financial Audit

- 9.a. [20-1569](#) Report on the Association of Bay Area Governments (ABAG) Financial Statements and Accompanying Reports for Fiscal Year 2019-20

**Action:** Accept

**Presenter:** Kathy Lai, Lead Engagement Partner with Crowe, LLP, and Brian Mayhew

**Attachments:** [Item 09a 0 Summary Sheet Finance Committee Audit Memo.pdf](#)  
[9a 20 1569 1a ABAG Audit Results and Required Communications.pdf](#)  
[9a 20 1569 1b FY 2019-20 ABAG Mangement Letter with Managment Respo](#)  
[9a 20 1569 3 ABAG Reports on Federal Awards in Accordance With OMB Ur](#)  
[Item 09a Attachment Presentation FY 2019-2020 Financial Reports and Year E](#)  
[9a 20 1569 6 FY 2019-20 ABAG Financial Statements.pdf](#)

## 10. Small Business Enterprise

- 10.a.** [20-1583](#) Presentation on the Metropolitan Transportation Commission (MTC) Small Business Enterprise (SBE) Program

**Action:** Information

**Presenter:** Edward Phillips

**Attachments:** [Item 10a 1 Summary Sheet ABAG EB SBE Program Informational Item.pdf](#)  
[Item 10a 2 Attachment MTC SBE Program\\_Final\\_032520.pdf](#)  
[Item 10a 3 Attachment ABAG Overview of SBE Program Presentation.pdf](#)

## **11. Adjournment / Next Meeting**

*The next meeting of the ABAG Finance Committee will be announced.*

**Public Comment:** The public is encouraged to comment on agenda items at Committee meetings by completing a request-to-speak card (available from staff) and passing it to the Committee secretary. Public comment may be limited by any of the procedures set forth in Section 3.09 of MTC's Procedures Manual (Resolution No. 1058, Revised) if, in the chair's judgment, it is necessary to maintain the orderly flow of business.

**Meeting Conduct:** If this meeting is willfully interrupted or disrupted by one or more persons rendering orderly conduct of the meeting unfeasible, the Chair may order the removal of individuals who are willfully disrupting the meeting. Such individuals may be arrested. If order cannot be restored by such removal, the members of the Committee may direct that the meeting room be cleared (except for representatives of the press or other news media not participating in the disturbance), and the session may continue.

**Record of Meeting:** Committee meetings are recorded. Copies of recordings are available at a nominal charge, or recordings may be listened to at MTC offices by appointment. Audiocasts are maintained on MTC's Web site ([mtc.ca.gov](http://mtc.ca.gov)) for public review for at least one year.

**Accessibility and Title VI:** MTC provides services/accommodations upon request to persons with disabilities and individuals who are limited-English proficient who wish to address Commission matters. For accommodations or translations assistance, please call 415.778.6757 or 415.778.6769 for TDD/TTY. We require three working days' notice to accommodate your request.

**可及性和法令第六章:** MTC 根據要求向希望來委員會討論有關事宜的殘疾人士及英語有限者提供服務/方便。需要便利設施或翻譯協助者，請致電 415.778.6757 或 415.778.6769 TDD / TTY。我們要求您在三個工作日前告知，以滿足您的要求。

**Acceso y el Titulo VI:** La MTC puede proveer asistencia/facilitar la comunicación a las personas discapacitadas y los individuos con conocimiento limitado del inglés quienes quieran dirigirse a la Comisión. Para solicitar asistencia, por favor llame al número 415.778.6757 o al 415.778.6769 para TDD/TTY. Requerimos que solicite asistencia con tres días hábiles de anticipación para poderle proveer asistencia.

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Attachments are sent to Committee members, key staff and others as appropriate. Copies will be available at the meeting.

All items on the agenda are subject to action and/or change by the Committee. Actions recommended by staff are subject to change by the Committee.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 20-1542      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Informational  
**File created:** 10/16/2020      **In control:** ABAG Finance Committee  
**On agenda:** 11/19/2020      **Final action:**  
**Title:** ABAG Finance Committee Chair's Report for November 19, 2020  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:**

Date	Ver.	Action By	Action	Result
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ABAG Finance Committee Chair's Report for November 19, 2020

Karen Mitchoff

Information



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 20-1543      **Version:** 1      **Name:**  
**Type:** Minutes      **Status:** Committee Approval  
**File created:** 10/16/2020      **In control:** ABAG Finance Committee  
**On agenda:** 11/19/2020      **Final action:**  
**Title:** Approval of ABAG Finance Committee Minutes of September 17, 2020  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [Item 05a Finance Minutes 20200917 Draft.pdf](#)

Date	Ver.	Action By	Action	Result
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Approval of ABAG Finance Committee Minutes of September 17, 2020

Clerk of the Board

Approval



375 Beale Street  
Suite 700  
San Francisco, California  
94105

## Meeting Minutes - Draft

### ABAG Finance Committee

*Chair, Karen Mitchoff, Supervisor, County of Contra Costa*  
*Vice Chair, Erin Hannigan, Supervisor, County of Solano*

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Thursday, September 17, 2020

5:05 PM

Remote

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#### Association of Bay Area Governments Finance Committee

The ABAG Finance Committee may act on any item on the agenda.

The meeting is scheduled to begin at 5:05 p.m.

Agenda, roster, and webcast available at <https://abag.ca.gov>

For information, contact Clerk of the Board at (415) 820-7913.

#### Roster

Jesse Arreguin, Cindy Chavez, Dave Cortese, Scott Haggerty, Erin Hannigan, Karen Mitchoff,  
Julie Pierce, David Rabbitt, Belia Ramos

#### 1. Call to Order / Roll Call / Confirm Quorum

Chair Mitchoff called the meeting to order at about 5:05 p.m. Quorum was present.

**Present:** 9 - Arreguin, Chavez, Cortese, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, and Ramos

#### 2. Public Comment

There was no public comment.

#### 3. Committee Member Announcements

There were no Committee member announcements.

#### 4. Chair's Report

4.a. [20-1228](#) ABAG Finance Committee Chair's Report of September 17, 2020

There was no Chair's report.

#### 5. Consent Calendar

Upon the motion by Pierce and second by Arreguin, the Consent Calendar was approved. The motion passed unanimously by the following vote:

**Aye:** 7 - Arreguin, Chavez, Cortese, Mitchoff, Pierce, Rabbitt, and Ramos

**Absent:** 2 - Haggerty, and Hannigan

- 5.a. [20-1229](#) Approval of ABAG Finance Committee Minutes of July 16, 2020

## 6. Financial Statements

- 6.a. [20-1230](#) Report on ABAG Financial Statements for Fiscal Year ended June 30, 2020 (Unaudited)

Brian Mayhew gave the report. There was no public comment.

**Upon the motion by Pierce and second by Haggerty, the report on ABAG Financial Statements for Fiscal Year ended June 30, 2020 (unaudited) was approved. The motion passed unanimously by the following vote:**

**Aye:** 9 - Arreguin, Chavez, Cortese, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, and Ramos

## 7. Contracts and Purchase Requisitions

- 7.a. [20-1231](#) Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from March 2020 to June 2020

Brian Mayhew gave the report. There was no public comment.

**Upon the motion by Arreguin and second by Pierce, the report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from March 2020 to June 2020 was approved. The motion passed unanimously by the following vote:**

**Aye:** 9 - Arreguin, Chavez, Cortese, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, and Ramos

## 8. Investments

- 8.a. [20-1232](#) Report on ABAG Investments for June 2020 (Unaudited)

Brian Mayhew gave the report. There was no public comment.

**Upon the motion by Haggerty and second by Hannigan, the report on ABAG Investments for June 2020 (unaudited) was approved. The motion passed unanimously by the following vote:**

**Aye:** 9 - Arreguin, Chavez, Cortese, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, and Ramos

## 9. Contracts and Purchasing

**9.a.**     [20-1309](#)     Report on Adoption of Resolution No. 18-2020-Executive Director's Purchasing and Contracting Authority

Brad Paul gave the report.

The following gave public comment: Wayne Lee.

Upon the motion by Hannigan and second by Rabbitt, the ABAG Finance Committee recommended ABAG Executive Board adoption of Resolution No, 18-2020, as reported, with the following amendments adding: to approve purchasing, contracts, and amendments to contracts totaling up to \$50,000 of things to be purchased or work to be done that are not included in the annual ABAG Budget and Work Plan; that any action taken by the Executive Director, or her designee, approving purchasing, contracts, and amendments to contracts up to \$50,000 that are not included in the ABAG Budget and Work Plan shall be reported at the next ABAG Finance Committee and ABAG Executive Board meetings as part of the regular monthly financial reporting procedure; that the Executive Director, or her designee, shall report back to the ABAG Finance Committee and the ABAG Executive Board in a year on actions taken under this authorization. The motion passed unanimously by the following vote:

**Aye:**    8 -   Chavez, Cortese, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, and Ramos

**Absent:**   1 -   Arreguin

## **10. Adjournment / Next Meeting**

Chair Mitchoff adjourned the meeting at about 5:46 p.m. The next meeting of the ABAG Finance Committee is on November 19, 2020.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
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## Legislation Details (With Text)

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**File #:** 20-1544      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 10/16/2020      **In control:** ABAG Finance Committee  
**On agenda:** 11/19/2020      **Final action:**  
**Title:** Report on ABAG Financial Statements for Period Ended August 31, 2020 (Unaudited)  
**Sponsors:**  
**Indexes:**  
**Code sections:**  
**Attachments:** [Item 06a 1 Summary Sheet Financial Statements as of August 31 2020.pdf](#)  
[Item 06a 2 Attachment Financial.pdf](#)

Date	Ver.	Action By	Action	Result
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Report on ABAG Financial Statements for Period Ended August 31, 2020 (Unaudited)

Brian Mayhew

Approval

## Association of Bay Area Governments

### Finance Committee

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November 19, 2020

Agenda Item 6.a.

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### Financial Statements

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**Subject:** Report on ABAG Financial Statements for Period Ended August 31, 2020 (Unaudited)

**Background:** Attached are the Association of Bay Area Governments (ABAG) financial statements as of August 31, 2020.

ABAG financial information includes ABAG Administration, Bay Area Regional Energy Network (BayREN)-Energy, and San Francisco Estuary Partnership (SFEP).

#### Overall Summary

As of August 31, 2020, the combined ABAG financial report shows an operating surplus of \$1,840,457. The surplus is generated from the membership revenue billed at the beginning of the fiscal year. The following are the highlights of the financial report for Administration, BayREN-Energy, and SFEP.

#### Administration

The Administration Program reports a \$1.9 million surplus. Membership revenue of \$2.4 million is the major revenue source for this program. This revenue is recognized when bills are sent out at the beginning of the year. As of August 31, 2020, out of the \$2.4 million of membership billed, we have collected \$921 thousand. Year-to-date expense is at 10% of the approved budget and is expected to pick up later in the year. The budget will be adjusted for the carryover encumbrance balance from prior fiscal year after the audit is completed.

#### BayREN—Energy

BayREN-Energy program is a grant funded operation consisting mainly of California Public Utilities Commission grants. BayREN revenue and expense are breakeven with \$1.2 million each in this reporting period. The budget in Object 5300 and 5600 are estimated and will be more accurately structured when staff adjust the budget according to the actual during the year. The adjustment will have zero affect to the overall budget.

## Association of Bay Area Governments

### Finance Committee

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November 19, 2020

Agenda Item 6.a.

### Financial Statements

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#### SFEP

SFEP is funded by a series of grants, mainly from the U.S. Environmental Protection Agency (US EPA) and Department of Water Resources (DWR). The grants currently budgeted as Miscellaneous Revenue (Obj 4950) will be reclassified to the appropriate grant types as they are executed during the year. In addition, the budget for the encumbrance balance from prior fiscal year will be added after the audit is completed.

The SFEP is reporting an overall deficit of \$99,911 and is covered by the fund balance from prior years.

If you have any questions about this report, please contact Brian Mayhew at (415) 778-6730.

**Issues:**

None

**Recommended Action:**

The ABAG Finance Committee is requested to approve the staff report on Financial Statements for Period Ended August 31, 2020 (Unaudited)

**Attachments:**

ABAG Financial Statements

**Reviewed:**



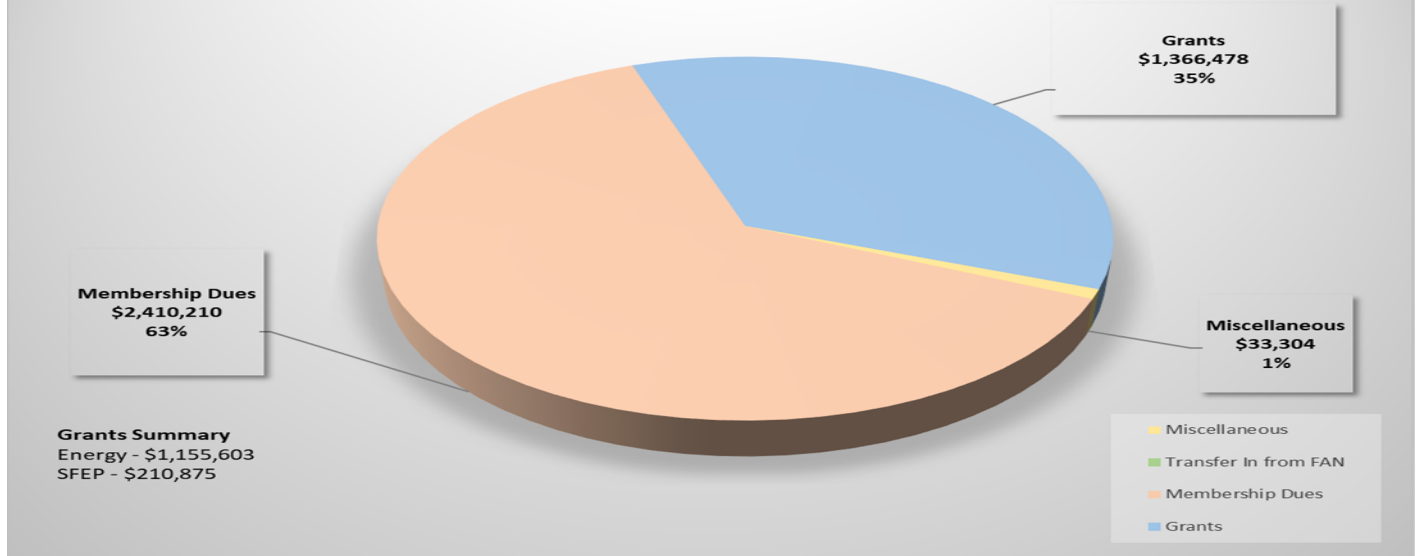
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Therese W. McMillan

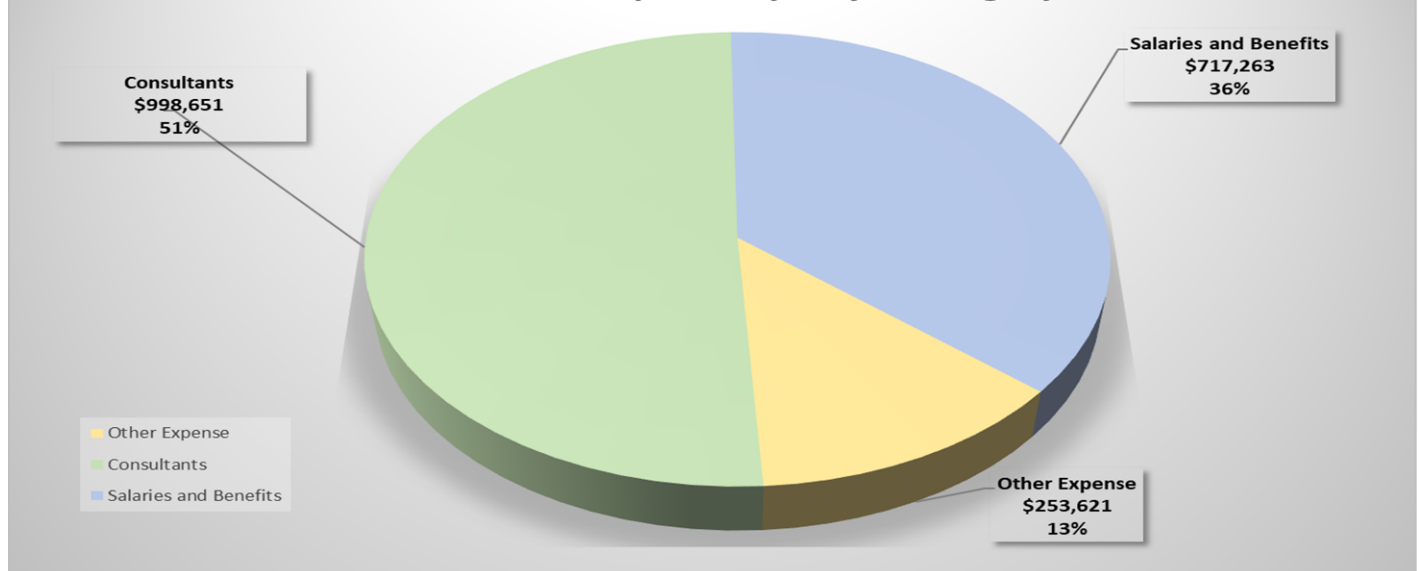
**Report by Program of Net Income/(Net Loss)**  
**July 2020 - August 2020 Unaudited (100% of year)**

Fund	Approved FY21 Budget	Year-To-Date Revenues	Year-To-Date Expenses	YTD Net Income/(Net Loss)	% of Expense Budget
ABAG Admin	4,282,483	2,410,874	470,506	1,940,368	11%
BayRen - Energy	22,863,103	1,155,603	1,155,603	-	5%
SF Estuary Partnership	21,350,496	243,515	343,426	(99,911)	2%
<b>Total</b>	<b>48,496,082</b>	<b>3,809,992</b>	<b>1,969,535</b>	<b>1,840,457</b>	<b>4%</b>

**Year-to-date Revenue by Major Category**



**Year-to-date Expense by Major category**





# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 20-1545      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 10/16/2020      **In control:** ABAG Finance Committee

**On agenda:** 11/19/2020      **Final action:**

**Title:** Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from July to August 2020

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Item 07a Summary Sheet Contracts Between 20K and 50K.pdf](#)

Date	Ver.	Action By	Action	Result
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Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from July to August 2020

Brian Mayhew

Approval

**Association of Bay Area Governments**

**Finance Committee**

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**November 19, 2020**

**Agenda Item 7.a.**

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**Contracts and Purchase Requisitions**

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**Subject:** Report on ABAG Contracts and Purchase Requisitions between \$20,000 and \$50,000 from July to August 2020

**Background:** The ABAG Finance Committee has directed staff to report on contracts and purchase orders between \$20,000 and \$50,000 approved by the Executive Director

From July to August 2020, ABAG had the following contracts and purchase requisitions between \$20,000 and \$50,000:

Purchase Requisitions

None

Contracts

None

**Issues:** None

**Recommended Action:** The ABAG Finance Committee is requested to approve the staff report on Contracts and Purchase Requisitions between \$20,000 and \$50,000 from July to August 2020.

**Attachments:** None

**Reviewed:**



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Therese W. McMillan



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

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**File #:** 20-1546      **Version:** 1      **Name:**

**Type:** Report      **Status:** Committee Approval

**File created:** 10/16/2020      **In control:** ABAG Finance Committee

**On agenda:** 11/19/2020      **Final action:**

**Title:** Report on ABAG Investments for Period Ended August 2020

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** [Item 08a 1 Summary Sheet Report Investments August 2020.pdf](#)  
[Item 08a 2 Attachment Investment Report.pdf](#)

Date	Ver.	Action By	Action	Result
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Report on ABAG Investments for Period Ended August 2020

Brian Mayhew

Approval

# Association of Bay Area Governments

## Finance Committee

November 19, 2020

Agenda Item 8.a.

### Investments

**Subject:** Report on ABAG Investments for Period Ended August 2020

**Background:** In accordance with the adopted investment policy, this report is on the ABAG investment holdings as of August 31, 2020. Total funds under ABAG management are just over \$85.6 million.

A breakdown by fund is as follows:

Fund	Market Value (\$ million)	% of Total
ABAG Admin	\$ 8.5	10.0%
ABAG San Francisco Estuary Partnership	0.7	0.8%
ABAG BayRen	10.1	11.8%
Other*	0.2	0.2%
<b>Subtotal ABAG</b>	<b>19.5</b>	<b>22.8%</b>
ABAG Fin Auth Non-Profit (FAN)	3.1	3.6%
ABAG FAN CFD 690 & 942 Market St	1.5	1.8%
ABAG FAN CFD SF Mint	0.5	0.6%
ABAG FAN CFD 2014 & 2017 Windemere	3.7	4.3%
ABAG FAN CFD SF Rincon	1.6	1.8%
<b>Subtotal ABAG FAN</b>	<b>10.4</b>	<b>12.1%</b>
<b>San Francisco Bay Restoration Authority</b>	<b>52.4</b>	<b>61.2%</b>
<b>ABAG Power</b>	<b>3.3</b>	<b>3.9%</b>
<b>Portfolio Total</b>	<b>\$ 85.6</b>	<b>100.0%</b>

\* Includes Balance Foundation, San Francisco Bay Trail, and Finance Corp.

The ABAG Admin Fund includes a \$6 million grant from the State of California for the Regional Early Action Planning (REAP) program.

**Association of Bay Area Governments**

**Finance Committee**

**November 19, 2020**

**Agenda Item 8.a.**

**Investments**

The portfolio breakdown is as follows:

<b>Security Holding</b>	<b>Portfolio Composite</b>	<b>Policy Limits</b>
Cash	35.7%	No limit
Gov't Pools	33.9%	No limit
Fed Home Loan Bank	21.9%	No limit
Mutual Funds (Non-Trustee)	0.0%	20% Portfolio/10% One Fund
Mutual Funds (Trustee)	8.5%	No limit
<b>Portfolio Total</b>	<b>100.0%</b>	

Liquidity Summary of ABAG Portfolio:

<b>Maturity</b>	<b>Market Value (\$ million)</b>	<b>% of Total Portfolio</b>	<b>Cumulative Minimum Level per ABAG Investment Policy</b>
30 days or less	\$ 66.8	78.0%	10%
90 days or less	85.6 cumulative	100% cumulative	15%
1 year or less	85.6 cumulative	100% cumulative	30%

**Issues:** None

**Recommended Action:** The ABAG Finance Committee is requested to approve the staff report on Investments for period ended August 2020.

**Attachment:** Investment Report August 2020

**Reviewed:**

  
Therese W. McMillan

**ABAG**  
**Summary by Issuer**  
**August 31, 2020**

<b>Issuer</b>	<b>Number of Investments</b>	<b>Par Value</b>	<b>Market Value</b>	<b>% of Portfolio</b>	<b>Average YTM 365</b>	<b>Average Days to Maturity</b>
BLK ROCK T-FUND TRUSTEE	14	7,297,869.56	7,297,869.56	8.52	0.050	1
FEDERAL HOME LOAN BANK	2	18,800,000.00	18,797,336.40	21.95	0.108	54
LOCAL AGENCY INVESTMENT FUND	5	29,010,422.00	29,010,422.00	33.87	0.784	1
MORGAN STANLEY GOV'T INST CUST	1	808.33	808.33	0.00	0.020	1
UNION BANK CHECKING	8	19,717,703.49	19,717,703.49	23.02	0.000	1
UNION BANK SFBRA	1	10,823,162.49	10,823,162.49	12.64	0.000	1
<b>Total and Average</b>	<b>31</b>	<b>85,649,965.87</b>	<b>85,647,302.27</b>	<b>100.00</b>	<b>0.294</b>	<b>13</b>

**ABAG**  
**Summary by Type**  
**August 31, 2020**  
**Grouped by Fund**

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Fund: ABAG ADMIN</b>						
Local Agency Investment Funds	1	963,642.28	963,642.28	1.13	0.784	1
Passbook/Checking Accounts	2	7,568,144.81	7,568,144.81	8.84	0.000	1
<b>Subtotal</b>	<b>3</b>	<b>8,531,787.09</b>	<b>8,531,787.09</b>	<b>9.97</b>	<b>0.089</b>	<b>1</b>
<b>Fund: ABAG SF ESTUARY PARTNERSHIP</b>						
Local Agency Investment Funds	1	686,354.12	686,354.12	0.80	0.784	1
<b>Subtotal</b>	<b>1</b>	<b>686,354.12</b>	<b>686,354.12</b>	<b>0.80</b>	<b>0.784</b>	<b>1</b>
<b>Fund: ABAG BAYREN</b>						
Passbook/Checking Accounts	1	10,156,007.33	10,156,007.33	11.86	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>10,156,007.33</b>	<b>10,156,007.33</b>	<b>11.86</b>	<b>0.000</b>	<b>1</b>
<b>Fund: ABAG BALANCE FOUNDATION</b>						
Passbook/Checking Accounts	1	27,882.92	27,882.92	0.03	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>27,882.92</b>	<b>27,882.92</b>	<b>0.03</b>	<b>0.000</b>	<b>1</b>
<b>Fund: SAN FRANCISCO BAY TRAIL</b>						
Passbook/Checking Accounts	1	126,148.38	126,148.38	0.15	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>126,148.38</b>	<b>126,148.38</b>	<b>0.15</b>	<b>0.000</b>	<b>1</b>
<b>Fund: ABAG FINANCE CORP</b>						
Passbook/Checking Accounts	1	19,966.20	19,966.20	0.02	0.000	1
<b>Subtotal</b>	<b>1</b>	<b>19,966.20</b>	<b>19,966.20</b>	<b>0.02</b>	<b>0.000</b>	<b>1</b>
<b>Fund: SF BAY RESTORATION AUTHORITY</b>						
Federal Agency Disc. -Amortizing	2	18,800,000.00	18,797,336.40	21.95	0.108	54
Local Agency Investment Funds	1	22,755,965.47	22,755,965.47	26.57	0.784	1
Mutual Funds - Custodial	1	808.33	808.33	0.00	0.020	1
Passbook/Checking Accounts	1	10,823,162.49	10,823,162.49	12.64	0.000	1

**ABAG**  
**Summary by Type**  
**August 31, 2020**  
**Grouped by Fund**

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
<b>Subtotal</b>	<b>5</b>	<b>52,379,936.29</b>	<b>52,377,272.69</b>	<b>61.16</b>	<b>0.379</b>	<b>20</b>
<b>Fund: ABAG POWER</b>						
Local Agency Investment Funds	1	1,752,489.25	1,752,489.25	2.05	0.784	1
Passbook/Checking Accounts	1	1,587,986.88	1,587,986.88	1.85	0.000	1
<b>Subtotal</b>	<b>2</b>	<b>3,340,476.13</b>	<b>3,340,476.13</b>	<b>3.90</b>	<b>0.411</b>	<b>1</b>
<b>Fund: ABAG FIN AUTH NONPROFIT</b>						
Local Agency Investment Funds	1	2,851,970.88	2,851,970.88	3.33	0.784	1
Passbook/Checking Accounts	1	231,566.97	231,566.97	0.27	0.000	1
<b>Subtotal</b>	<b>2</b>	<b>3,083,537.85</b>	<b>3,083,537.85</b>	<b>3.60</b>	<b>0.725</b>	<b>1</b>
<b>Fund: ABAG FAN CFD 2007 WINDEMERE</b>						
Mutual Funds - Trustee	2	538.55	538.55	0.00	0.050	1
<b>Subtotal</b>	<b>2</b>	<b>538.55</b>	<b>538.55</b>	<b>0.00</b>	<b>0.050</b>	<b>1</b>
<b>Fund: ABAG FAN CFD 690&amp;942 MRKT ST</b>						
Mutual Funds - Trustee	3	1,528,317.79	1,528,317.79	1.78	0.050	1
<b>Subtotal</b>	<b>3</b>	<b>1,528,317.79</b>	<b>1,528,317.79</b>	<b>1.78</b>	<b>0.050</b>	<b>1</b>
<b>Fund: ABAG FAN CFD 2006-2 SF MINT</b>						
Mutual Funds - Trustee	2	476,414.99	476,414.99	0.56	0.050	1
<b>Subtotal</b>	<b>2</b>	<b>476,414.99</b>	<b>476,414.99</b>	<b>0.56</b>	<b>0.050</b>	<b>1</b>
<b>Fund: ABAG FAN CFD 2014&amp;17 WINDEMERE</b>						
Mutual Funds - Trustee	3	3,730,508.77	3,730,508.77	4.36	0.050	1
<b>Subtotal</b>	<b>3</b>	<b>3,730,508.77</b>	<b>3,730,508.77</b>	<b>4.36</b>	<b>0.050</b>	<b>1</b>
<b>Fund: ABAG FAN CFD 2006-1 SF RINCON</b>						
Mutual Funds - Trustee	4	1,562,089.46	1,562,089.46	1.82	0.050	1
<b>Subtotal</b>	<b>4</b>	<b>1,562,089.46</b>	<b>1,562,089.46</b>	<b>1.82</b>	<b>0.050</b>	<b>1</b>
<b>Total and Average</b>	<b>31</b>	<b>85,649,965.87</b>	<b>85,647,302.27</b>	<b>100.00</b>	<b>0.294</b>	<b>13</b>



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

**File #:** 20-1569      **Version:** 1      **Name:**  
**Type:** Report      **Status:** Committee Approval  
**File created:** 10/19/2020      **In control:** ABAG Finance Committee  
**On agenda:** 11/19/2020      **Final action:**  
**Title:** Report on the Association of Bay Area Governments (ABAG) Financial Statements and  
Accompanying Reports for Fiscal Year 2019-20  
**Sponsors:**  
**Indexes:**  
**Code sections:**

**Attachments:** [Item 09a 0 Summary Sheet Finance Committee Audit Memo.pdf](#)  
[9a 20 1569 1a ABAG Audit Results and Required Communications.pdf](#)  
[9a 20 1569 1b FY 2019-20 ABAG Mangement Letter with Managment Responses - FINAL.pdf](#)  
[9a 20 1569 3 ABAG Reports on Federal Awards in Accordance With OMB Uniform Guidance.pdf](#)  
[Item 09a Attachment Presentation FY 2019-2020 Financial Reports and Year End Audit Results.pdf](#)  
[9a 20 1569 6 FY 2019-20 ABAG Financial Statements.pdf](#)

Date	Ver.	Action By	Action	Result
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Report on the Association of Bay Area Governments (ABAG) Financial Statements and  
Accompanying Reports for Fiscal Year 2019-20

Kathy Lai, Lead Engagement Partner with Crowe, LLP, and Brian Mayhew

Accept

# Association of Bay Area Governments

## Finance Committee

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November 19, 2020

Agenda Item 9.a.

### Financial Statements and Accompanying Reports

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**Subject:** Report on the Association of Bay Area Governments (ABAG) Financial Statements and Accompanying Reports for Fiscal Year 2019-20

**Background:** Staff requests that the Finance Committee recommend that the ABAG Executive Board accept and approve the attached Financial Statements and accompanying reports for the fiscal year ended June 30, 2020 and accept the staff recommendation to reappoint Crow, LLP for the FY 2021 audit. The Financial statements are prepared by the Metropolitan Transportation Commission (MTC) finance staff and audited by Crowe, LLP.

The exit interview represents an opportunity for the Finance Committee to have direct communication with Crowe, LLP your independent auditor. As part of the exit interview, Crowe, LLP will make a presentation relating to the audit results, required communications and the Report on Federal Awards. Staff will make a presentation on the ABAG Financial Statements.

There are several documents that make up the year-end financial statements and accompanying reports. These reports are:

- FY 2019-20 ABAG Audit Results and Required Communications

Crowe, LLP prepares a report to communicate certain required information related to the FY 2019-20 audit directly to the Finance Committee and Executive Board.

The audit opinion is “unmodified” with no “material” or “significant deficiency” in internal controls. There are no issues of internal control weakness or questioned costs in the report. There was one deficiency finding related to reporting the Regional Early Action Planning (REAP) grant advance, which has been corrected.

- Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2020

Crowe, LLP prepares this report on expenses and financial controls as they relate to federal grants. Highlights of the report include:

## Association of Bay Area Governments

### Finance Committee

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November 19, 2020

Agenda Item 9.a.

#### Financial Statements and Accompanying Reports

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Audit opinion is “unmodified”

No federal findings noted

No instance of non-compliance

No material weakness noted

No questioned costs.

- FY 2019-20 ABAG Financial Statements

The ABAG financial statements for FY 2019-20 are comprised of five sections:

- Independent Auditors Report (p. 1) – this is the opinion expressed on internal controls and the financial statements.
- Management’s Discussion and Analysis (MD&A) (p. 4)  
- The MD&A provides a management overview of the information contained in the financial statements as of June 30, 2020.
- Basic Financial Statements (p. 9) – Including
  - Statement of Net Position or assets over liabilities
  - Statement of Revenue, Expenses and Changes in Net Position
  - Statement of Cash Flows
  - Notes to the Financial Statements (p. 13) - Including descriptions of the ABAG as a reporting entity and certain information considered important to understanding the reporting entity and accounting practices related to ABAG
- Required Supplementary Information (p. 38) – Mainly pension and OPEB liabilities

## Association of Bay Area Governments

### Finance Committee

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November 19, 2020

Agenda Item 9.a.

#### Financial Statements and Accompanying Reports

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- Other Supplementary Information – Additional accounting information and detail of the ABAG Conduit Financing Pool

These reports and the reports presented by Crowe, LLP constitute the ABAG Financial Reports for the fiscal year ending June 30, 2020.

#### Highlights of the FY 2019-20 ABAG Financial Statements:

- Negative Net Position (p. 9) – ABAG has a negative Net Position of \$5.9 million, up from \$5.3 million for FY 2018-19. The negative position is caused by a retirement liability (pension and OPEB) of \$16 million.
- Operating Loss (p.10) – ABAG had an operating loss of \$1.1 million, down from \$1.3 million for FY 2018-19.
- Net Pension Liability – Pension liability for FY 2019-20 is \$16 million up from \$15.6 million for FY 2018-19 (p. 38).
- The OPEB liability ended FY 2019-20 with an asset balance of \$68,125 compared to an unfunded liability of \$988,000.
- ABAG Conduit Financing Pool – The balance is now \$8.8 million, down from \$68.6 million in FY 2019, the result of a Ukiah water bond being refinanced. The remainder of the pool is scheduled to be retired by 2036

The retirement of the unfunded OPEB liability was made possible by a contribution from ABAG FAN.

If you have any questions about this report, please contact Brian Mayhew at (415) 778-6730.

#### Issues:

None

**Association of Bay Area Governments**

**Finance Committee**

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**November 19, 2020**

**Agenda Item 9.a.**

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**Financial Statements and Accompanying Reports**

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**Recommended Action:** The Finance Committee is requested to accept the staff report and recommend Executive Board approval of the Financial Statements and accompanying reports for Fiscal Year 2019-20 and reappoint the firm of Crow, LLP for the FY 2021 annual external audit.

**Attachments:**

- A. FY 2019-20 ABAG Audit Results and Required Communication
- B. Reports on Federal Awards in Accordance with Office of Management and Budget (OMB) Uniform Guidance for the Year Ended June 30, 2020
- C. Presentation
- D. FY 2019-20 ABAG Financial Statements

**Reviewed:**



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Therese W. McMillan

# Association of Bay Area Governments

Audit Results and Required Communications

November 19, 2020



Dear Members of the Finance Committee of Association of Bay Area Governments,

We are pleased to present our report on the audit of Association of Bay Area Governments (“ABAG”). Our report includes a summary of the audit results and also required auditor communications under professional standards.

Our audit is substantially completed. The remaining open items typical of this stage are the receipt of the management representation letters and standard subsequent event procedures through the date of audit report issuance.

We welcome any questions you or others may have on our audit. Thank you for the opportunity to discuss the audit results.

Sincerely,

A handwritten signature in black ink that reads "Katherine V. Lai".

Katherine V. Lai  
Engagement Partner

# Agenda

**1**

Audit Objective

**2**

Audit Results

**3**

Required  
Communications

# Audit Objective

# Audit Objective

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The objective of the audit is to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with generally accepted accounting principles.

We conducted our audit in accordance with generally accepted auditing standards.

# Audit Results

# Financial Statement Audit Reports



- Independent Auditor’s Report on the financial statements as of and for the year ending June 30, 2020

Entity	Opinion
ABAG	Unmodified

# Compliance Audit Reports

## Uniform Guidance Report

- Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
  - No federal findings noted
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
  - No instances of non-compliance or other matters noted
  - No material weakness noted



# Deficiency

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Accounting for Grants with Eligible Cost Requirements

# Required Communications

# Required Communications

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Adoption of New Accounting Standards: Management adopted GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*



# Required Communications (continued)

- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.



# Required Communications (continued)

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any material uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.



# Required Communications

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We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters



# Questions?



# Thank You

Katherine V. Lai

kathy.lai@crowe.com

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November 19, 2020

Management of the Association of Bay Area Governments  
C/o Brian Mayhew, Chief Financial Officer  
Association of Bay Area Governments  
375 Beale Street  
San Francisco, California 94105

Management of the Association of Bay Area Governments,

In planning and performing our audit of the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG") as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered ABAG's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABAG's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control. Matters communicated in this letter are classified as follows.

- Deficiency – A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.
- Significant deficiency – A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
- Material weakness – A deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control that we are required to or wish to communicate to you.

This communication is intended solely for the information and use of the members of the Executive Board of ABAG, management, and others within the organization, and governmental granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of ABAG's internal control over financial reporting or on compliance. This letter is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABAG's internal control over financial reporting and compliance. Accordingly, this letter is not suitable for any other purpose.

ABAG's written response to the deficiencies identified in our audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Crowe LLP

San Francisco, California  
November 19, 2020

Cc: Therese McMillan, Executive Director

## Accounting for Grants with Eligible Cost Requirements

### **Classification:**

Deficiency

### **Applicable Entities:**

ABAG

### **Observation:**

The California Department of Housing and Community Development (HCD) administers the Regional Early Action Planning Grant Program (REAP) and awarded state grant funding to ABAG for purposes of enabling jurisdictions to meet the regional housing needs assessment. The grant agreement notes that only approved and eligible costs incurred for work after October 1, 2019 completed during the grant term will be reimbursable.

Generally accepted accounting principles (GAAP) requires that for expenditure-driven grant programs, until the recipient has met the provider's requirements by incurring eligible costs in accordance with the provider's program, no asset (receivable) should be recorded by the recipient. During our audit, we noted that management had recorded a receivable in the amount \$5.89 million and a corresponding unearned revenue. As no related eligible costs were incurred as of fiscal year end, an asset should not have been recorded.

We proposed and management subsequently recorded an adjustment to remove the \$5.89 million receivable and corresponding unearned revenue.

### **Impact:**

As management viewed the REAP award as a government-mandated program, they did not initially view the grant award as contingent upon incurring eligible costs to recognize a receivable from the State. As a result, management inadvertently recorded an asset in advance of incurring eligible costs that was not in accordance with GAAP. It should be noted that the error had no impact on overall net position as the asset recorded was entirely offset by unearned revenue (liability).

### **Recommendation:**

We recommend that management strengthen their process to review all grant terms and conditions to identify requirements on allowable costs and activities of the grant and conditions for reimbursement. When such stipulations exist, receivables and related revenues are recorded only when management has incurred allowable costs under the grant.

### **Management Response:**

The management of the Association of Bay Area Governments (ABAG) concurs with the finding and recommendation. Management reversed the entries and initiated a new process for recognition of grant reimbursements that cross fiscal years.

# **Association of Bay Area Governments**

**Reports on Federal Awards in Accordance  
with OMB Uniform Guidance  
For the Year Ended June 30, 2020**

**Auditee  
Association of Bay Area Governments**

**EIN  
94-2832478**

**Association of Bay Area Governments**  
**Reports on Federal Awards in Accordance with OMB Uniform Guidance**  
**For the Year Ended June 30, 2020**

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CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	1
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE .....	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	5
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	7
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	10

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Executive Board  
Association of Bay Area Governments

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ABAG's basic financial statements, and have issued our report thereon dated November 12, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered ABAG's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ABAG's internal control. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABAG's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

San Francisco, California  
November 12, 2020

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Executive Board  
Association of Bay Area Governments

### **Report on Compliance for Each Major Federal Program**

We have audited the Association of Bay Area Governments' ("ABAG") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of ABAG's major federal programs for the year ended June 30, 2020. ABAG's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of ABAG's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about ABAG's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of ABAG's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, ABAG complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

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(Continued)

## Report on Internal Control over Compliance

Management of ABAG is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ABAG's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of ABAG's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of ABAG as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise ABAG's basic financial statements. We issued our report thereon dated November 12, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Crowe LLP

San Francisco, California  
November 12, 2020

**Association of Bay Area Governments  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2020**

<b>Federal Grantor/Pass Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed-Through to Sub-Recipients</b>	<b>Total Federal Expenditures</b>
<b>United States Environmental Protection Agency</b>				
<b>The San Francisco Baywater Quality Improvement Fund</b>				
<b>Direct Awards</b>				
Urban Greening Bay Area				
W999T26201	66.126		\$ 335,692	\$ 379,294
W999T53101	66.126		200,854	484,358
Suisun Marsh				
W999T25701	66.126		-	92,584
Transforming Shorelines				
99T87701	66.126		-	145,045
<b>Subtotal: CFDA 66.126</b>			<b>536,546</b>	<b>1,101,281</b>
<b>National Estuary Program</b>				
<b>Direct Awards</b>				
Implementation of the Comprehensive Conservation and Management Plan				
CE99T59901	66.456		27,523	814,632
<b>Subtotal: CFDA 66.456</b>			<b>27,523</b>	<b>814,632</b>
<b>Regional Wetland Program Development Grants</b>				
<b>Direct Awards</b>				
Bay Area Wetlands Regional Monitoring Program Plan				
CD99T66201	66.461		16,270	73,037
Wetlands Protection Development				
99T93501	66.461		-	106,051
<b>Subtotal: CFDA 66.461</b>			<b>16,270</b>	<b>179,088</b>
<b>Brownfields Assessment and Cleanup Cooperative Agreements</b>				
<b>Direct Awards</b>				
Brownfields Assessment and Cleanup Cooperative Agreements				
BF99T61501	66.818		184,830	184,830
BF99T45501	66.818		173,653	173,653
<b>Subtotal: CFDA 66.818</b>			<b>358,482</b>	<b>358,483</b>
<b>Total United States Environmental Protection Agency</b>			<b>938,821</b>	<b>2,453,484</b>

See accompanying notes to the schedule of expenditures of federal awards.

**Association of Bay Area Governments  
Schedule of Expenditures of Federal Awards  
For the year ended June 30, 2020**

<b>Federal Grantor/Pass Through Grantor Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Passed-Through to Sub-Recipients</b>	<b>Total Federal Expenditures</b>
<b>Department of the Interior</b>				
<b>Clean Vessel Act</b>				
<b>Pass through from California State Department of Parks &amp; Recreation</b>				
Clean Vessel Education & Outreach Grant	15.616	C8957414	-	5,498
	15.616	C8961418	-	13,825
	15.616	C8962434	-	190,354
	15.616	C8961419	-	20,000
	15.616	C8962435	-	4,160
	15.616	C8963452	-	27,116
<b>Subtotal: CFDA 15.616</b>			-	260,953
<b>Total Department of Interior</b>			-	260,953
<b>Department of Energy</b>				
<b>Conservation Research and Development</b>				
<b>Direct Award</b>				
San Francisco BayREN (BRICR)				
DE-EE00075580001	81.086	DE-EE00075580001	58,906	127,462
<b>Subtotal: CFDA 81.086</b>			58,906	127,462
<b>Total US Department of Energy</b>			58,906	127,462
<b>Department of Homeland Security</b>				
<b>Cooperating Technical Partners</b>				
<b>Direct Awards</b>				
EMF2017CA00007	97.045	EMF2017CA00007	7,781	7,781
<b>Subtotal: CFDA 97.045</b>			7,781	7,781
<b>Total Department of Homeland Security</b>			7,781	7,781
<b>Total Expenditures of Federal Awards</b>			\$ 1,005,508	\$ 2,849,680

See accompanying notes to the schedule of expenditures of federal awards.

**NOTE 1 – Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all expenditures of federal awards of the Association of Bay Area Governments (“ABAG”). ABAG’s reporting entity is defined in Note 1 of ABAG’s Basic Financial Statements.

The Schedule is presented using the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the “Uniform Guidance”). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in preparation of, the financial statements. Expenditures reported on the Schedule are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 2 – Indirect Cost Rate**

ABAG applies its predetermined approved indirect cost rate when charging indirect costs to federal awards rather than the 10% de minimis indirect cost rate described in Section 200.414 of the Uniform Guidance.

DRAFT

Association of bay Area Governments  
Schedule of Findings and Questioned Costs  
For the year ended June 30, 2020

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**SUMMARY OF AUDITORS' RESULTS**

***Financial Statements:***

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

***Federal Awards:***

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for  
major federal programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

CFDA 66.456

National Estuary Program

Dollar threshold used to distinguish type A and B programs:

  \$ 750,000  

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No



Association of  
Bay Area Governments



# FY 2019-2020 Financial Reports and Year End Audit Results

# 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).



	2019	2020	Change
<b>Assets</b>			
<b>Current Assets:</b>			
Cash	\$ 4,199,239	\$ 8,577,732	\$ 4,378,493
Investments	2,284,487	-	(2,284,487)
Accounts receivable	8,468	557,620	549,152
Accrued interest	14,573	5,998	(8,575)
Loan receivable	52,416	67,297	14,881
Due from federal	1,044,198	1,303,721	259,523
Due from state	11,054,511	5,521,398	(5,533,113)
Due from local	160,699	160,057	(642)
Due from other govts	67	107,303	107,236
Prepaid	63,436	759,612	696,176
<b>Total current assets</b>	<b>18,882,094</b>	<b>17,060,738</b>	<b>(1,821,356)</b>
<b>Non-current assets</b>			
Loan receivable	1,723,587	1,645,431	(78,156)
Capital (net)	5,436,015	5,103,423	(332,592)
OPEB asset	-	68,125	68,125
<b>Total non-current assets</b>	<b>7,159,602</b>	<b>6,816,979</b>	<b>(342,623)</b>
<b>Total Assets</b>	<b>26,041,696</b>	<b>23,877,717</b>	<b>(2,163,979)</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	8,679,099	5,585,332	(3,093,767)
Accrued liability	-	23,005	23,005
Retention payable	2,274,629	2,402,346	127,717
Unearned income	4,221,124	5,927,314	1,706,190
Due to other govt	437,473	442,487	5,014
<b>total current liability</b>	<b>15,612,325</b>	<b>14,380,484</b>	<b>(1,231,841)</b>
<b>Non-current Liabilities</b>			
Unearned revenue	300,317	161,021	(139,296)
Advance - PG&E	2,410,000	2,410,000	-
Net pension	15,604,366	16,083,129	478,763
Net OPEB	987,853	-	(987,853)
<b>Total non-current liabilities</b>	<b>19,302,536</b>	<b>18,654,150</b>	<b>(648,386)</b>
<b>Total liabilities</b>	<b>34,914,861</b>	<b>33,034,634</b>	<b>(1,880,227)</b>
Deferred Outflow	5,515,457	5,024,437	(491,020)
deferred inflow	1,931,953	1,723,444	(208,509)
<b>Investment in capital assets</b>	<b>5,436,015</b>	<b>5,103,423</b>	<b>(332,592)</b>
unrestricted	(10,725,676)	(10,959,347)	(233,671)
<b>Net position</b>	<b>\$ (5,289,661)</b>	<b>\$ (5,855,924)</b>	<b>\$ (566,263)</b>
<b>Net of pension/FA</b>	<b>\$ 5,866,543</b>	<b>\$ 5,123,782</b>	<b>\$ (742,761)</b>

## Statement of Net Position:

- Total assets \$23.8 million
  - Cash and investments \$8.6 million
    - Up \$2.1 million from FY 2019
    - Retentions payable \$2.4 million
    - Advance \$2.4 million (PG&E)
  - Grant receivables \$6.8 million
- Total liabilities \$33.0 million down \$2.0 million
  - Current \$14.4 million - down \$1.2 million
  - Long term \$18.7 million
    - Pension liability up \$480,000
    - OPEB down \$1 million
- Negative net position \$5.9 million
  - After pension liability and fixed assets -\$5.1 million

	2019	2020	Change
<b>Operating Revenue</b>			
Membership dues	\$ 2,723,907	\$ 2,887,875	\$ 163,968
Conference registration	219,277	281,605	62,328
Other	86,614	59,538	(27,076)
<b>Total operating revenue</b>	<b>3,029,798</b>	<b>3,229,018</b>	<b>199,220</b>
<b>Operating Expense</b>			
Salary & benefit	2,639,511	2,490,428	(149,083)
Professional fees	446,547	668,244	221,697
Conference & meeting	231,936	122,889	(109,047)
Building assessment	348,817	350,000	1,183
Stipend	66,150	92,575	26,425
Insurance	148,755	126,955	(21,800)
Memberships	39,713	119,350	79,637
Depreciation	295,050	332,592	37,542
Overhead	7,484	5,304	(2,180)
Other	30,996	68,517	37,521
<b>Total operating expenses</b>	<b>4,254,959</b>	<b>4,376,854</b>	<b>121,895</b>
<b>Operating gain (loss)</b>	<b>(1,225,161)</b>	<b>(1,147,836)</b>	<b>77,325</b>
<b>Nonoperating revenue (expense)</b>			
Federal grants	2,241,475	2,849,679	608,204
State grants	28,783,063	26,259,980	(2,523,083)
Local grants	449,710	379,002	(70,708)
Salary & benefit	(2,297,865)	(2,375,755)	(77,890)
Professional fees	(28,569,705)	(26,373,035)	2,196,670
Interest income	53,876	23,723	(30,153)
Contribution - BATA	-	100,000	100,000
Contribution - FAN	350,000	987,853	637,853
Contribution - MTC	(527,010)	(530,000)	(2,990)
Other	(606,678)	(739,871)	(133,193)
<b>Total nonoperating revenue (expense)</b>	<b>(123,134)</b>	<b>581,576</b>	<b>704,710</b>
<b>Change in net position</b>	<b>(1,348,295)</b>	<b>(566,260)</b>	<b>782,035</b>
<b>Beginning position</b>	<b>(3,941,369)</b>	<b>(5,289,664)</b>	<b>(1,348,295)</b>
<b>Ending position</b>	<b>(5,289,664)</b>	<b>(5,855,924)</b>	<b>(566,260)</b>

## Revenue and Expense Highlights:

- Total operating revenue up \$200,000
  - Membership dues up \$164,000
- Operating expense up \$122,000 (3%)
- Operating loss \$1.1 million down \$77,000
- Non-operating revenue (expense)
  - Ending balance positive \$582,000
  - Timing of grant program expense and revenue now more in line
  - \$987,000 contribution from ABAG FAN to retire unfunded OPEB liability
- Ending position should improve in the future from dues and lower pension/OPEB costs

**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, 2020  
Last Ten Years\***

**Schedule I**

	Miscellaneous Plan Tier I & II 2014	Miscellaneous Plan Tier I & II 2015	Miscellaneous Plan Tier I & II 2016	Miscellaneous Plan Tier I & II 2017	Miscellaneous Plan Tier I & II 2018	Miscellaneous Plan Tier I & II 2019
Measurement Date						
Employer's proportion of the collective net pension liability	0.4744 %	0.4738 %	0.4246 %	0.4132 %	0.4141 %	0.4016 %
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
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 %	20,901.00 %	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 %

**Notes to Schedule:**

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

\*\* The last employee retired in January 2018. There were no active employees thereafter.

Changes of Assumptions: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.5 percent discount rate.

**Pension Liability:**

- Balance as of June 30, 2020
  - ABAG's net pension liability \$16.0 million up \$480,000
  - Reasons for the increase
    - Change in assumptions
    - Change to amortization
  - No new entrants
  - Cost sharing pool comingles asset/liability of all pool agencies
  - ABAG still subject to changes in PERS assumptions

#### A. Changes in Net OPEB Liability/(Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2019 (6/30/18 measurement date)	\$ 7,663,688	\$ 6,675,835	\$ 987,853
Changes for the year			
Service cost	-	-	-
Interest on the total OPEB liability	499,860	-	499,860
Changes in benefit terms	-	-	-
Actual vs. expected experience	(162,855)	-	(162,855)
Assumption changes	(183,250)	-	(183,250)
Contributions - employer	-	773,664	(773,664)
Net investment income	-	438,625	(438,625)
Benefit payments	(516,714)	(516,714)	-
Administrative expenses	-	(2,556)	2,556
Net changes	(362,959)	693,019	(1,055,978)
Balance at June 30, 2020 (6/30/19 measurement date)	\$ 7,300,729	\$ 7,368,854	\$ (68,125)

#### OPEB:

- Balance as of June 30, 2020
  - Balance of OPEB account is now an asset of \$68,215
  - The final unfunded OPEB liability of \$987,853 was paid during FY 2020
  - Principal and interest on the plan will now offset benefit payments to retirees
  - No new participants will enter the plan however changes in medical rates may impact future balances

**Association of Bay Area Governments**  
**Schedule of ABAG Conduit Financing Pool (unaudited)**  
**For the Year Ended June 30, 2019**

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2019
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	06/29/1994	12/15/2024	\$ 43,695,000	\$ 1,800,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	4,090,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects)	01/10/2002	12/01/2025	14,355,000	770,000
ABAG Lease Revenue Bonds, 2001 Series A (California Capital Projects)	07/31/2001	07/01/2031	15,110,000	320,000
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	3,710,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	1,290,000
ABAG 2006 Water and Wastewater Revenue Bonds, Series A (City of Ukiah)	03/02/2006	03/01/2036	75,060,000	56,640,000
ABAG 2007 Revenue Bonds, Series A and Taxable Series B (California Tax Allocation Bonds) *	12/11/2007	09/01/2036	55,425,000	-
Total 8 transactions				<u>\$ 68,620,000</u>

\* The Tax Allocation Bonds 2007 Series A was fully redeemed on 9/1/2017 and the 2007 Series B was fully redeemed on 9/1/2018.

**Association of Bay Area Governments**  
**Schedule of ABAG Conduit Financing Pool**  
**For the Year Ended June 30, 2020**

Schedule 5

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2020
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	06/29/1994	12/15/2024	\$ 43,695,000	\$ 1,115,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	3,765,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects)	01/10/2002	12/01/2025	14,355,000	80,000
ABAG 2006 Water and Wastewater Revenue Bonds, Series A (City of Ukiah) (1)	03/02/2006	03/01/2036	75,060,000	-
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	3,320,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	520,000
ABAG Lease Revenue Bonds, 2001 Series A (California Capital Projects) (2)†	07/31/2001	07/01/2031	15,110,000	-
Total 7 transactions				<u>\$ 8,800,000</u>

(1) ABAG 2006 Water and Wastewater Revenue Bonds, Series A, had \$4,690,000 redeemed on 9/1/2019 and \$49,670,000 redeemed on 3/1/2020.

(2) ABAG Lease Revenue Bonds, 2001 Series A, was fully redeemed on 10/21/2019.

▶ **ABAG Conduit Financing Pool**

- ▶ Pool balance \$8.8 million
- ▶ Reduction of \$60 million refunded during the year
- ▶ Remaining issues will mature through 2036

# Summary of ABAG and ABAG Funds

## Association of Bay Area Governments Schedule of Net Position - ABAG June 30, 2020

### Schedule 1

	ABAG					Total Association of Bay Area
	ABAG Admin	ABAG SFEP	ABAG Energy	Planning	Governments	
<b>Assets</b>						
Current assets:						
Cash	\$ 992,743	\$ 1,146,151	\$ 6,262,946	\$ 128,043	\$ 8,529,883	
Account receivable	553,439	4,181	-	-	557,620	
Due from/(to) other program	1,587	-	-	(1,587)	-	
Accrued interest	5,998	-	-	-	5,998	
Loan receivable	-	-	67,297	-	67,297	
Receivable from federal	-	1,077,385	13,743	212,593	1,303,721	
Receivable from state	-	5,330,640	-	190,758	5,521,398	
Receivable from local	-	138,307	21,750	-	160,057	
Due from other government	5,454	101,849	-	-	107,303	
Prepaid items	24,163	-	735,449	-	759,612	
Total current assets	1,583,384	7,798,513	7,101,185	529,807	17,012,889	
Non-current assets:						
Loan receivable	-	-	1,645,431	-	1,645,431	
Capital assets, net of accumulated depreciation/ amortization	5,103,423	-	-	-	5,103,423	
Net OPEB asset	68,125	-	-	-	68,125	
Total non-current assets	5,171,548	-	1,645,431	-	6,816,979	
<b>Total assets</b>	<b>\$ 6,754,932</b>	<b>\$ 7,798,513</b>	<b>\$ 8,746,616</b>	<b>\$ 529,807</b>	<b>\$ 23,829,868</b>	
<b>Deferred Outflows of Resources</b>						
Deferred outflows from pension	4,036,584	-	-	-	4,036,584	
Deferred outflows from OPEB	987,853	-	-	-	987,853	
<b>Total deferred outflows of resources</b>	<b>5,024,437</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,024,437</b>	
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	122,691	4,402,974	1,059,667	-	5,585,332	
Accrued liabilities	23,005	-	-	-	23,005	
Retention payable	-	2,346,932	-	55,414	2,402,346	
Unearned revenue	-	549,675	5,036,245	341,394	5,927,314	
Due to other government	64,481	164,871	80,136	132,999	442,487	
Total current liabilities	210,177	7,464,452	6,176,048	529,807	14,380,484	
Non-current liabilities:						
Unearned revenue	-	-	161,021	-	161,021	
Advance from PG&E	-	-	2,410,000	-	2,410,000	
Net pension liability	16,083,129	-	-	-	16,083,129	
Total non-current liabilities	16,083,129	-	2,571,021	-	18,654,150	
<b>Total liabilities</b>	<b>16,293,306</b>	<b>7,464,452</b>	<b>8,747,069</b>	<b>529,807</b>	<b>33,034,634</b>	
<b>Deferred Inflows of Resources</b>						
Deferred inflows from pension	1,622,452	-	-	-	-	
Deferred inflows from OPEB	100,992	-	-	-	-	
<b>Total deferred inflows of resources</b>	<b>1,723,444</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Net Position</b>						
Net investment in capital assets	5,103,423	-	-	-	-	
Unrestricted	(11,340,804)	334,061	(453)	-	-	

## Schedule of Revenues, Expenditures and Changes in Net Position - ABAG For the Year Ended June 30, 2020

### Schedule 2

	ABAG					Total Association of Bay Area
	ABAG Admin	ABAG SFEP	ABAG Energy	Planning	Governments	
<b>Operating Revenues</b>						
Membership dues	\$ 2,887,875	\$ -	\$ -	\$ -	\$ 2,887,875	
Conference registration	-	281,605	-	-	281,605	
Other operating revenues	1,820	57,718	-	-	59,538	
<b>Total operating revenues</b>	<b>2,889,695</b>	<b>339,323</b>	<b>-</b>	<b>-</b>	<b>3,229,018</b>	
<b>Operating Expenses</b>						
Contracted salaries and benefits	2,367,035	123,393	-	-	2,490,428	
Professional fees	453,174	210,070	-	-	663,244	
Conference and meeting costs	11,874	111,015	-	-	122,889	
Building assessments	350,000	-	-	-	350,000	
Committee members' stipend	92,575	-	-	-	92,575	
Insurance	126,955	-	-	-	126,955	
Memberships	107,050	4,500	7,800	-	119,350	
Depreciation expense	332,592	-	-	-	332,592	
Overhead	5,245	59	-	-	5,304	
Other operating expenses	57,687	10,740	-	-	68,427	
<b>Total operating expenses</b>	<b>3,904,187</b>	<b>459,777</b>	<b>7,800</b>	<b>-</b>	<b>4,371,764</b>	
<b>Operating Loss</b>	<b>(1,014,492)</b>	<b>(120,454)</b>	<b>(7,800)</b>	<b>-</b>	<b>(1,142,746)</b>	
<b>Nonoperating Revenues (Expenses)</b>						
Federal grants	-	2,355,954	127,461	366,264	2,849,679	
State grants	-	6,087,044	20,114,356	58,580	26,259,980	
Local grants	-	248,043	130,959	-	379,002	
Contracted salaries and benefits	-	(1,769,991)	(605,764)	-	(2,375,755)	
Professional fees	-	(6,693,419)	(19,254,772)	(424,844)	(26,373,035)	
Interest income	23,723	-	-	-	23,723	
Contribution from BATA	-	100,000	-	-	100,000	
Contribution from FAN	987,853	-	-	-	987,853	
Contribution to MTC	(530,000)	-	-	-	(530,000)	
Other nonoperating expenses	-	(227,631)	(512,240)	-	(739,871)	
<b>Total nonoperating revenues (expenses)</b>	<b>481,576</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>581,576</b>	
<b>Change in Net Position</b>	<b>(532,916)</b>	<b>(20,454)</b>	<b>(7,800)</b>	<b>-</b>	<b>(561,170)</b>	
<b>Net position, beginning of year</b>	<b>(5,704,465)</b>	<b>354,515</b>	<b>7,347</b>	<b>-</b>	<b>(5,342,603)</b>	
<b>Net position, end of year</b>	<b>\$ (6,237,381)</b>	<b>\$ 334,061</b>	<b>\$ (453)</b>	<b>\$ -</b>	<b>(5,903,773)</b>	

\* includes: recognitions of GASB 68 (pension) and GASB 75 (OPEB) expenses of \$2,447,618, a credit of \$82,000 for OPEB Implicit Subsidy, and other miscellaneous \$1,417.

## SUMMARY OF AUDITORS' RESULTS

### **Financial Statements:**

Type of report the auditor issued on whether  
the financial statements audited were prepared  
in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ Yes      X   No

### **Federal Awards:**

Internal control over major federal programs:

Material weakness(es) identified?

\_\_\_\_\_ Yes      X   No

Significant deficiency(ies) identified?

\_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for  
major federal programs:

Unmodified

Any audit findings disclosed that are required to be  
reported in accordance with 2 CFR 200.516(a)?

\_\_\_\_\_ Yes      X   No

Identification of major federal programs:

CFDA 66.456

National Estuary Program

Dollar threshold used to distinguish type A and B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

  X   Yes    \_\_\_\_\_ No

# QUESTIONS

# **Association of Bay Area Governments**

**Financial Statements  
For the Year Ended June 30, 2020**

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**Association of Bay Area Governments**  
**Financial Statements**  
**For the Year Ended June 30, 2020**  
**Table of Contents**

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	<i>PAGE</i>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 8
 <b>Basic Financial Statements</b>	
Statement of Net Position	9
Statement of Revenues, Expenses and Changes in Net Position	10
Statement of Cash Flows	11 - 12
Notes to the Financial Statements	13 - 36
 <b>Required Supplementary Information (unaudited)</b>	
Schedule of Changes in the Net Pension Liability and Related Ratios	38
Schedule of Employer Contributions - Pension	39
Schedule of Changes in Net OPEB Liability/Asset and Related Ratios	40
Schedule of Employer Contributions - OPEB	41
 <b>Other Supplementary Information</b>	
Schedule of Net Position - ABAG	43
Schedule of Revenues, Expenditures and Changes in Net Position - ABAG	44
Combining Statement of Net Position - Non-Major Enterprise Funds	45
Combining Statement of Revenues, Expenditures and Changes in Net Position - Non-Major Enterprise Funds	46
Schedule of ABAG Conduit Financing Pool	47

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Crowe LLP  
Independent Member Crowe Global

## INDEPENDENT AUDITOR'S REPORT

Members of the Executive Board of the  
Association of Bay Area Governments

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the ABAG's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments as of June 30, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ABAG's basic financial statements. The other supplementary information is listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED] [REDACTED] on our consideration of the ABAG's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ABAG's internal control over financial reporting and compliance.

[REDACTED]

[REDACTED]

DRAFT

# **Association of Bay Area Governments**

## **Financial Statements for the Year Ended June 30, 2020**

### **Management's Discussion and Analysis (unaudited)**

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#### **Management's Discussion and Analysis**

This section presents an overview of the financial activities of the Association of Bay Area Governments (ABAG) and its blended component units for the year ended June 30, 2020. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

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).

SFEP was established in 1988 by the State of California and the U.S. Environmental Protection Agency under the Clean Water Act's National Estuary Program, after the San Francisco Estuary was designated as an *estuary of national significance*. SFEP manages multiple projects designed to improve the health of the Estuary through the *Estuary Blueprint*, a comprehensive, collective vision for the Estuary's future. SFEP receives funding from federal, state and local agencies for regional-scale restoration, water quality improvement, and resilience-building projects.

BayREN is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by ABAG, BayREN's energy efficiency programs help Bay Area residents and communities become more energy efficient. BayREN is primarily funded through a Public Purpose Program (PPP) Surcharge included on the utility bills of gas and electric ratepayers. The California Public Utilities Commission (CPUC) allocates PPP funding for state-mandated assistance programs for low income customers, energy efficiency programs, and public-interest research and development.

#### **A. Financial Highlights**

The fiscal year ending June 30, 2020 was marked by the start of a national health crisis due to the Covid-19 pandemic. Overnight the region went from eight straight years of economic expansion to a recession. The region went from 3.5 percent unemployment to about 10 percent, a level that exceeded the "Great Recession" of 2008. While the depth of the recession or the timing of a recovery are not known, there is no indication the recession will impact ABAG finances.

The principal protection against economic swings is the fact the largest revenue source for ABAG is project grants. ABAG has an extensive list of federal, state, and local grants that make up over 90 percent of all ABAG revenue sources. So far, these project grants have shown no sign of slowing down, which is good for the overall economic success of ABAG.

While the current pandemic has certainly had its share of operational and financial challenges, ABAG continues to conduct important local programs and enhance financial performance. Examples from FY 2020:

- ABAG retired the last of its OPEB obligation going from unfunded to fully funded in five years.
- ABAG Executive Board has made substantial progress on consolidated operations and committees to

## **Association of Bay Area Governments**

### **Financial Statements for the Year Ended June 30, 2020**

#### **Management's Discussion and Analysis (unaudited)**

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improve policy direction and efficiency.

- The BayREN Energy Program received another round of funding bringing total grant revenue of over \$50 million in the recent three fiscal years of FY 2018, FY 2019 and FY 2020.
- The SFEP program received another round of funding bringing total grant revenue of \$33 million in the recent three fiscal years of FY 2018, FY 2019 and FY 2020.
- ABAG was awarded a Regional Early Action Planning Grant (REAP) for \$23.9 million during FY 2020. The award included an advance of \$5.9 million which was applied for and approved during FY 2020 as well. No receivable was recorded for the \$5.9 million because the payment was not received by year end.

### **B. Overview of the Financial Statements**

The ABAG's Financial Statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference as net position. The *Statement of Revenues, Expenses and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* are presented using the direct method.

The Financial Statements provide information about the financial activities of ABAG's funds. The ABAG fund is presented as a major fund; ABAG Finance Corporation and BALANCE Foundation are presented as non-major funds in an aggregate amount in a separate column.

### **C. Financial Analysis**

ABAG has negative net position of approximately \$5.9 million for FY 2020, a decrease of \$566 thousand compared to FY 2019. The primary contributor to the decrease in net position was the on going unfunded pension cost related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Management's Discussion and Analysis (unaudited)**

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*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:

	2020	2019
<b>Assets</b>		
Current and other assets	\$ 18,774,294	\$ 20,605,681
Capital assets	5,103,423	5,436,015
Total assets	<u>23,877,717</u>	<u>26,041,696</u>
Deferred outflows of resources	<u>5,024,437</u>	<u>5,515,457</u>
<b>Liabilities</b>		
Other liabilities	14,380,484	15,612,325
Long term liabilities	<u>18,654,150</u>	<u>19,302,536</u>
Total liabilities	<u>33,034,634</u>	<u>34,914,861</u>
Deferred inflows of resources	<u>1,723,444</u>	<u>1,931,956</u>
<b>Net position:</b>		
Net investment in capital assets	5,103,423	5,436,015
Unrestricted (deficit)	<u>(10,959,347)</u>	<u>(10,725,679)</u>
Total net position	<u>\$ (5,855,924)</u>	<u>\$ (5,289,664)</u>

Total assets decreased by \$2.2 million or 8 percent in FY 2020. The decrease in total assets was primarily due to decrease in grant receivables, offset by increase in cash, prepaid items and receivables from California Employers' Retiree Benefit Trust (CERBT) at the year end.

Total liabilities decreased by \$1.9 million or 5 percent from FY 2019. The decrease was primarily due to decrease in accrued liabilities related to grant projects, offset by an increase in unearned revenue at the year-end.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Management's Discussion and Analysis (unaudited)**

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*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:

	2020	2019
<b>Operating revenues</b>		
Membership dues	\$ 2,887,875	\$ 2,723,907
Conference registration	281,605	219,277
Other operating revenues	59,538	86,614
Total operating revenues	<u>3,229,018</u>	<u>3,029,798</u>
<b>Operating expenses</b>		
Contracted salaries and benefits	2,490,428	2,639,511
Professional fees	668,244	446,547
Other operating expenses	1,218,182	1,168,901
Total operating expenses	<u>4,376,854</u>	<u>4,254,959</u>
Operating loss	<u>(1,147,836)</u>	<u>(1,225,161)</u>
<b>Nonoperating revenues/(expenses)</b>		
Grants	29,488,661	31,474,248
Contracted salaries and benefits	(2,375,755)	(2,297,865)
Professional fees	(26,373,035)	(28,569,705)
Other nonoperating revenues	1,111,576	403,876
Other nonoperating expenses	(1,269,871)	(1,133,688)
Total nonoperating revenues (expenses)	<u>581,576</u>	<u>(123,134)</u>
Change in net position	<u>(566,260)</u>	<u>(1,348,295)</u>
Net position - beginning	<u>(5,289,664)</u>	<u>(3,941,369)</u>
Net position - ending	<u>\$ (5,855,924)</u>	<u>\$ (5,289,664)</u>

Total operating revenue increased by \$199 thousand or 7 percent in FY 2020. The increase in total operating revenue was primarily due to increases in ABAG's membership dues.

ABAG's total operating expenses increased by \$122 thousand or 3 percent. The increase in operating expenses was mainly due to increases in professional fees and membership, which some of the increases were offset by the decreases in contracted salaries and benefits, conference and meeting costs.

Total nonoperating revenue consists of grant revenue and other nonoperating revenues. In FY 2020 ABAG's nonoperating revenue decreased by \$1.28 million or 4 percent which mainly due to the decrease in grant revenue.

ABAG's total non-operating expenses decreased by \$1.99 million or 6 percent from FY 2019. The decrease

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Management's Discussion and Analysis (unaudited)**

---

in total non-operating expenses was mainly due to the decrease of professional fees related to grant funded project expenses.

Overall total nonoperating revenue/expense improved by \$705 thousand for FY 2020 as a result of a contribution from FAN.

**D. Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

**E. Capital Asset Administration**

ABAG's capital assets include building facilities, furniture and equipment, and capitalized software. ABAG reports its capital assets on an accrual basis. ABAG's investment in capital assets decreased from \$5,436,015 in FY 2019 to \$5,103,423 in FY 2020 including a depreciation expense of \$332,592. For additional information on ABAG's capital assets, refer to Note 4.

**F. Economic Factors**

The San Francisco Bay Area economy entered a recession starting in April 2020 due to the Covid-19 pandemic. The April recession ended the longest running economic expansion since the post WWII era. Immediate impacts include:

- Sales tax revenue that had grown for nine straight years fell 5 percent for FY 2020.
- Unemployment which was close to 3.5 percent in January, 2020 increased to about 10 percent by June, 2020.
- The impact of shelter-in-place orders on commercial values is not known at this time.

There are some indications that the worst of the recession may be behind us. The growth in retail sales and housing construction continue to increase, and paid traffic toll revenue on the 7 Bay Area bridges is now 80 percent of the FY 2019 level.

**Requests for information**

This financial report is intended to provide citizens, taxpayers, creditors, and stakeholders with a general overview of the ABAG's finances. Questions about this report may be directed to the MTC Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

**Association of Bay Area Governments**  
**Statement of Net Position**  
**June 30, 2020**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>ASSETS</b>			
Current Assets:			
Cash	\$ 8,529,883	\$ 47,849	\$ 8,577,732
Account receivable	557,620	-	557,620
Accrued interest	5,998	-	5,998
Loan receivable	67,297	-	67,297
Receivable from federal	1,303,721	-	1,303,721
Receivable from state	5,521,398	-	5,521,398
Receivable from local	160,057	-	160,057
Due from other government	107,303	-	107,303
Prepaid items	759,612	-	759,612
Total current assets	17,012,889	47,849	17,060,738
Non-current Assets			
Loan receivable	1,645,431	-	1,645,431
Capital assets, net of accumulated depreciation/ amortization	5,103,423	-	5,103,423
Net OPEB asset	68,125	-	68,125
Total non-current assets	6,816,979	-	6,816,979
<b>TOTAL ASSETS</b>	<b>23,829,868</b>	<b>47,849</b>	<b>23,877,717</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows from pension	4,036,584	-	4,036,584
Deferred outflows from OPEB	987,853	-	987,853
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>5,024,437</b>	<b>-</b>	<b>5,024,437</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	5,585,332	-	5,585,332
Accrued liabilities	23,005	-	23,005
Retention payable	2,402,346	-	2,402,346
Unearned revenue	5,927,314	-	5,927,314
Due to other government	442,487	-	442,487
Total current liabilities	14,380,484	-	14,380,484
Non-current Liabilities:			
Unearned revenue	161,021	-	161,021
Advance from PG&E	2,410,000	-	2,410,000
Net pension liability	16,083,129	-	16,083,129
Total non-current liabilities	18,654,150	-	18,654,150
<b>TOTAL LIABILITIES</b>	<b>33,034,634</b>	<b>-</b>	<b>33,034,634</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows from pension	1,622,452	-	1,622,452
Deferred inflows from OPEB	100,992	-	100,992
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,723,444</b>	<b>-</b>	<b>1,723,444</b>
<b>NET POSITION</b>			
Net investment in capital assets	5,103,423	-	5,103,423
Unrestricted	(11,007,196)	47,849	(10,959,347)
<b>TOTAL NET POSITION</b>	<b>\$ (5,903,773)</b>	<b>\$ 47,849</b>	<b>\$ (5,855,924)</b>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2020**

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>OPERATING REVENUES:</b>			
Membership dues	\$ 2,887,875	\$ -	\$ 2,887,875
Conference registration	281,605	-	281,605
Other operating revenues	59,538	-	59,538
<b>TOTAL OPERATING REVENUES</b>	<b>3,229,018</b>	<b>-</b>	<b>3,229,018</b>
<b>OPERATING EXPENSES</b>			
Contracted salaries and benefits	2,490,428	-	2,490,428
Professional fees	663,244	5,000	668,244
Conference and meeting costs	122,889	-	122,889
Building assessments	350,000	-	350,000
Committee members' stipend	92,575	-	92,575
Insurance	126,955	-	126,955
Memberships	119,350	-	119,350
Depreciation expense	332,592	-	332,592
Overhead	5,304	-	5,304
Other operating expenses	68,427	90	68,517
<b>TOTAL OPERATING EXPENSES</b>	<b>4,371,764</b>	<b>5,090</b>	<b>4,376,854</b>
<b>OPERATING LOSS</b>	<b>(1,142,746)</b>	<b>(5,090)</b>	<b>(1,147,836)</b>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>			
Federal grants	2,849,679	-	2,849,679
State grants	26,259,980	-	26,259,980
Local grants	379,002	-	379,002
Contracted salaries and benefits	(2,375,755)	-	(2,375,755)
Professional fees	(26,373,035)	-	(26,373,035)
Interest income	23,723	-	23,723
Contribution from BATA	100,000	-	100,000
Contribution from ABAG FAN	987,853	-	987,853
Contribution to MTC	(530,000)	-	(530,000)
Other nonoperating expenses	(739,871)	-	(739,871)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>581,576</b>	<b>-</b>	<b>581,576</b>
<b>CHANGE IN NET POSITION</b>	<b>(561,170)</b>	<b>(5,090)</b>	<b>(566,260)</b>
<b>Net Position, beginning of year</b>	<b>(5,342,603)</b>	<b>52,939</b>	<b>(5,289,664)</b>
<b>Net Position, end of year</b>	<b>\$ (5,903,773)</b>	<b>\$ 47,849</b>	<b>\$ (5,855,924)</b>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2020**

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	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>Cash flows from operating activities</b>			
Cash receipts from customers	\$ 2,878,868	\$ -	\$ 2,878,868
Other operating cash receipts	394,224	-	394,224
Cash payments to suppliers and contractors for goods and services	(1,287,895)	(5,090)	(1,292,985)
Other operating cash payments	(157,921)	-	(157,921)
Cash payments for retirees benefits	(3,182,436)	-	(3,182,436)
<b>Net cash used in operating activities</b>	<b>(1,355,160)</b>	<b>(5,090)</b>	<b>(1,360,250)</b>
<b>Cash flows from non-capital financing activities</b>			
Federal grants	2,590,156	-	2,590,156
State grants	33,359,987	-	33,359,987
Local grants	379,644	-	379,644
Contracted salaries and benefits	(2,359,042)	-	(2,359,042)
Professional fees	(30,266,062)	-	(30,266,062)
Contribution from ABAG FAN	987,853	-	987,853
Contribution to MTC	(530,000)	-	(530,000)
Other nonoperating expenses	(747,791)	-	(747,791)
<b>Net cash provided by non-capital financing activities</b>	<b>3,414,745</b>	<b>-</b>	<b>3,414,745</b>
<b>Cash flows from investing activities</b>			
Interest and dividends received	39,511	-	39,511
<b>Net cash provided by investing activities</b>	<b>39,511</b>	<b>-</b>	<b>39,511</b>
<b>Net increase/(decrease) in cash</b>	<b>2,099,096</b>	<b>(5,090)</b>	<b>2,094,006</b>
<b>Balances - beginning of year</b>	<b>6,430,787</b>	<b>52,939</b>	<b>6,483,726</b>
<b>Balances - end of year</b>	<b>\$ 8,529,883</b>	<b>\$ 47,849</b>	<b>\$ 8,577,732</b>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Statement of Cash Flows - Proprietary Funds**  
**For the Year Ended June 30, 2020**

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	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
<b>Reconciliation of operating loss to net cash used in operating activities</b>			
Operating loss	\$ (1,142,746)	\$ (5,090)	\$ (1,147,836)
<b>Adjustments to reconcile operating net cash used in operating activities:</b>			
Depreciation and amortization	332,592	-	332,592
<b>Net effect of changes in:</b>			
Due from other government	(5,510)	-	(5,510)
Due to other government	44,497	-	44,497
Accounts receivable	(549,152)	-	(549,152)
Loan receivable	63,275	-	63,275
Prepaid items	39,273	-	39,273
Net OPEB assets	(68,125)	-	(68,125)
Deferred outflows from pension	705,209	-	705,209
Deferred outflows from OPEB	(214,189)	-	(214,189)
Net pension liability	478,763	-	478,763
Net OPEB liability	(987,853)	-	(987,853)
Deferred inflows from pension	(137,340)	-	(137,340)
Deferred inflows from OPEB	(71,172)	-	(71,172)
Accounts payable	150,456	-	150,456
Accrued liabilities	6,862	-	6,862
<b>Net cash used in operating activities</b>	<u><u>\$ (1,355,160)</u></u>	<u><u>\$ (5,090)</u></u>	<u><u>\$ (1,360,250)</u></u>

See accompanying notes to financial statements

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Association of Bay Area Governments (ABAG) was established in 1961 pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq by agreement among its member counties and cities of the San Francisco Bay Area. ABAG's purpose is to serve as a permanent forum to study and discuss matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters.

ABAG is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions, and approve the annual budget.

On April 20, 2017, The ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). As of July 1, 2017, MTC's Executive Director and the staff of the two agencies perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP). ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission along with all of its statutory roles and responsibilities as the region's Council of Governments.

ABAG is a membership organization that provides a variety of planning and other service programs for its members. ABAG's principal sources of revenue include membership dues, contributions and grants. The accompanying financial statements present the ABAG operation which is the primary activity, along with the financial activities of its component units, which are entities for which ABAG is financially accountable. Although they are separate legal entities, they are presented in the financial statements as a blended component unit.

***Blended Component Units***

Blended component units are in substance part of ABAG's operations and are reported as an integral part of the financial statements. The following blended component units are described below:

**i) ABAG Finance Corporation (Corporation)**

ABAG Finance Corporation is a non-profit public benefit corporation created on June 24, 1985 to aid members in obtaining financing by acting as a credit pooling conduit. Participating members issue debt, leases or certificates of participation (COPs) that are pooled as a single issue by the Corporation. Members' payments are pooled to repay the debt and the leased assets become the property of the member when the obligation is retired. The Corporation did not take on any new debt issuances after the staff consolidation on July 1, 2017.

The Corporation is governed by a sub-committee of the ABAG Executive Board, which establishes financing policies and approves each credit pooling arrangement.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**ii) BALANCE Foundation (BALANCE)**

Balance Foundation is a non-profit, tax-exempt corporation created on September 22, 1987 to assist Bay Area governments in obtaining funds to study, analyze and resolve regional issues. BALANCE is governed by a Board of Directors whose appointment is controlled by ABAG.

**B. Basis of Presentation**

ABAG's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

ABAG presents its financial statements as enterprise funds and reports the following funds:

***Major funds***

Association of Bay Area Governments Fund - this fund accounts for revenues and expenses of the Association of Bay Area Governments.

***Non-major funds***

ABAG Finance Corporation Fund - this fund accounts for revenues and expenses of the ABAG Finance Corporation.

BALANCE Foundation Fund - this fund accounts for revenues and expenses of the Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

ABAG's enterprise fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**New Accounting Pronouncements**

GASB Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postpones the effective date of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 87, *Leases*, is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 postpones the effective date of this statement by eighteen months. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by eighteen months. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No.89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. GASB Statement No. 95 postpones the effective date of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this standard on ABAG's financial statements.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance on how to improve reporting of Majority Equity Interests. This statement improve the consistency and comparability of reporting a government's majority equity interest in legally separate organizations and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. GASB Statement No. 95 postpones the effective date of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 91, *Conduit Debt Obligations*, provides single method of reporting conduit debt obligations. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. GASB Statement No. 95 postpones the effective date of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on ABAG's financial statements.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

GASB Statement No. 92, *Omnibus 2020*, establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. The initial requirements of this Statement are effective as follows: (a). The requirements in paragraphs 4, 5, 11, and 13 are effective upon issuance. (b). The requirements in paragraphs 6 and 7 are effective for fiscal years beginning after June 15, 2020. (c). The requirements in paragraphs 8, 9, and 12 are effective for reporting periods beginning after June 15, 2020. (d). The requirements in paragraph 10 are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020. GASB Statement No. 95 postpones all effective dates of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of this statement by one year. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirements of this Statement, except for paragraph 11b, are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after December 31, 2021. GASB Statement No. 95 postpones the effective date of paragraphs 13 and 14 of this statement by one year. ABAG adopted GASB Statement No. 95 which postponed the implementation of paragraphs 13 and 14 of this statement by one year. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*, establishes standards of accounting and financial reporting for PPPs and APAs for governments. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement on ABAG's financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. The requirements of this Statement are effective immediately. ABAG adopted this standard for fiscal year ended June 30, 2020. The adoption of the standard has no impact on ABAG's financial statements.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, establishes standards of accounting and financial reporting for SBITAs by a government end user (a government). The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. Management is currently evaluating the effect of this statement in ABAG's financial statements.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, (a) clarifies how the absence of a governing board should be considered in determining whether a primary government is financially accountable for purposes of evaluating potential component units and (b) modifies the applicability of

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

certain component unit criteria as they relate to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans (for example, certain Section 457 plans). The requirements of this statement are effective as follow; (a) The requirement in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately. (b).The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. (c). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. ABAG adopted paragraphs 4 and 5 of this statement in fiscal year 2020. The adoption of paragraphs 4 and 5 does not have any impact on ABAG's financial statements. Management is currently evaluating the effect of the remainder paragraphs of this statements on ABAG's financial statements.

**D. Net Position**

Net position, presented in the financial statements, represents the residual interest in assets plus deferred outflows of resources after liabilities and deferred inflows resources are deducted. ABAG's net position consists of three sections: Net investment in capital assets, restricted and unrestricted. Net position is reported as restricted when constraints are imposed by creditors, grantors, contributors, laws or regulations or other governments or enabling legislation. There is no amount reported in restricted net position at year-end.

**E. Cash and Investments**

Under the Contract for Services, MTC invests ABAG's available cash in accordance with the adoption of MTC's investment policy and with under the prudent investor rule. The prudent investor rule states, in essence, that “in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs.” This policy affords ABAG a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. ABAG's Administrative Committee adopted MTC's investment policy on June 9, 2017. Investments allowed under MTC's investment policy include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated “A1” or “P1”
- Corporate notes – Rated “A” or better
- Municipal bond

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

- Mutual funds – Rated “AAA”
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

ABAG applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. ABAG reports its money market securities and short-term investments at cost. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position as interest income.

ABAG considers all balances in demand deposit accounts and the Local Agency Investment Fund (LAIF) to be cash, and classifies all other highly liquid cash equivalents as short-term investments. Highly liquid cash equivalents are short-term investments that meet the following definitions:

- Readily convertible to known amounts of cash.
- So near their maturity that they present insignificant risk of changes in value because of changes in interest rates.

**F. Loan Receivable**

Loan receivable consists of receivable from multifamily building owners who borrow funds through the BayREN Multifamily Capital Advance Financing Program.

**G. Prepaid Items**

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

**H. Capital Assets**

Capital assets, which include buildings and improvements, furniture and equipment, and software, are reported in the Statement of Net Position. Capital asset acquisitions are recorded at historical cost. ABAG's intangible assets consist of purchased and licensed commercially available computer software and internally developed software.

Capital assets are defined by ABAG as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. ABAG follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets for recording capital assets*.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized. Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets. The estimated useful lives of capital assets are as follows:

	<u>Years</u>
Facilities and improvements	5 – 30
Furniture and equipment	3 - 10
Capitalized software	3 - 6

When assets have been evaluated for impairment, in which the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used, the depreciation and amortization ceases.

**I. Due to/from Other Government**

The due to other government consists of \$441,881 payable to MTC, and \$606 payable to San Francisco Bay Restoration Authority (SFBRA). The due from other government consists of a receivable from MTC.

**J. Retirement Plans**

ABAG provides a defined benefit pension plan, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) in the California Public Employees' Retirement System (CalPERS).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

GASB 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, the ABAG total pension liability was determined by CalPERS using a valuation date of June 30, 2018. CalPERS then rolled forward the total pension liability to June 30, 2019, and this is the basis for measuring ABAG's net pension liability reported at June 30, 2020.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

Following the staff consolidation on July 1, 2017 and the retirement of the last ABAG employee, there are no more employees added to the ABAG Pension Plan. Future pension liabilities for employees transferred to MTC will be covered by MTC. ABAG remains responsible for its unfunded pension liabilities.

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to / deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

For additional information on the Plan, refer to Note 6.

**K. Other Post Employment Healthcare Benefits (OPEB)**

ABAG provides post employments medical coverage for eligible retired employees and their eligible dependents through the Public Employees' Medical & Hospital Care Act (PEMHCA) governed by CalPERS. Eligible employees are the employees who were hired prior to July 1, 2009. ABAG established a Section 115 benefit trust fund with the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post retirement healthcare trust fund administered by CalPERS. The benefit trust fund is not recorded as a fiduciary fund by ABAG as the underlying assets are not managed by ABAG.

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of ABAG's OPEB Plan and additions to/deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB Statement No. 75 requires that reported results must pertain to liability and assets information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2019
Measurement Date (MD)	June 30, 2019
Measurement Period (MP)	July 1, 2018 to June 30, 2019

GASB Statement No. 75 allows the use of a measurement date up to twelve months before the employer's fiscal year end. Accordingly, for financial reporting purposes, ABAG's net OPEB asset at June 30, 2020 was determined using the actuarial valuation and measurement date of June 30, 2019.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

Following the ABAG/MTC staff consolidation at July 1, 2017 and subsequent retirement of the last ABAG employee in January 2018, there are no more employees added to the ABAG OPEB Plan. Liabilities for consolidated employees now rests with MTC as of July 1, 2017. ABAG remains responsible for its unfunded OPEB liabilities related to ABAG retirees.

For additional information about the Plan, refer to Note 7.

**L. Unearned Revenue**

The unearned revenue consists of the funds advanced by Caltrans for the San Pablo Spine Project, CPUC grant (passing through PG&E) for the BayREN Programs, Delta Stewards Council for the Delta Science Program, Santa Clara Valley Water District for professional staff support, Bay Area Quality Management District for the Heat Pump Water Heater Market Transformation Project, and State Coastal Conservancy for the Bay Trail projects.

**M. Advance from PG&E**

PG&E advanced funds from CPUC grant (passing through PG&E) for the BayRen Multifamily Loan Program.

**N. Deferred Outflows/Inflows of Resources on Pensions and Other Post-Employment Benefits (OPEB)**

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liability arising from differences between expected and actual experience with regard to economic or demographic factors. \*
- The effects of changes of assumptions about future economic or demographic factors or of other inputs. \*
- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments. \*\*
- Net differences between the ABAG actual contributions and ABAG's proportionate share of the total contributions from employers included in the collective net pension liability. \*
- Change in ABAG's proportion of collective net pension liability. \*

\* The balance on these accounts are recognized in pension and OPEB expenses using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

\*\* The difference between projected and actual earnings amount is recognized in pension and OPEB

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

expenses using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report ABAG's contribution to CalPERS subsequent to the measurement date of the net pension and OPEB liability and before the end of the reporting period.

Refer to Note 6 and 7 for additional information.

**O. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**P. Operating and Nonoperating Revenues and Expenses**

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities. All grant related activities including both revenues and expenses are considered nonoperating.

**Q. Contribution to Metropolitan Transportation Commission (MTC)**

Contribution to MTC consists of the contribution amount approved by the ABAG General Assembly.

**R. Contribution from ABAG Finance Authority for Nonprofit (FAN)**

Contribution from FAN consists of the contribution amount approved by the ABAG FAN Executive Committee.

**S. Recent Event**

During FY 2020, a novel strain of coronavirus spread around the world and was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. In March 2020, the State of California declared a statewide shelter-in-place order which included strict limitations on entrance to the 375 Beale office site. The statewide shelter-in-place order had no appreciable effect on the operations and business results of the ABAG business operations. The extent to which the coronavirus may impact business activity will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus. Management has not included any contingencies in the financial statements specific to this recent event.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**2. NET POSITION**

ABAG has a negative net position of \$5,855,924 for fiscal year 2020. The negative position is mainly the result of recognition of the GASB 68 pension expense of \$2,801,104. Since staff have transitioned from ABAG to MTC employment, ABAG will no longer have any member growth in its pension or OPEB liabilities. The unfunded OPEB liability was fully funded in the fiscal year 2020 allowing ABAG to draw annual retiree medical costs from the existing trust, the California Employers' Retiree Benefit Trust (CERBT). In addition, with no additional employees, the pension liability should be reduced annually based on the current CalPERS amortization schedule.

**3. CASH**

**A. The composition of cash at June 30, 2020 is as follows:**

Cash at banks	\$ 6,933,734
Government Pools	
Local Agency Investment Fund*	1,643,998
Total cash	<u>\$ 8,577,732</u>

\*The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. LAIF is unrated.

**B. Deposit Risk Factors**

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ABAG may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to a limit of \$250,000.

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent and having a fair value of 110% to 150% of ABAG's cash on deposit.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

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**4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2020 is as follows:

	<u>July 1, 2019</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance June 30, 2020</u>
Capital assets being depreciated:				
Facilities and improvements	\$ 5,488,962	\$ -	\$ -	\$ 5,488,962
Furniture and equipment	396,984	-	(23,780)	373,204
Capitalized software	<u>315,342</u>	<u>-</u>	<u>(125,312)</u>	<u>190,030</u>
Total capital assets being depreciated	<u>6,201,288</u>	<u>-</u>	<u>(149,092)</u>	<u>6,052,196</u>
Less accumulated depreciation for:				
Facilities and improvements	439,117	219,558	-	658,675
Furniture and equipment	200,844	65,526	(23,780)	242,590
Capitalized software	<u>125,312</u>	<u>47,508</u>	<u>(125,312)</u>	<u>47,508</u>
Total accumulated depreciation	<u>765,273</u>	<u>332,592</u>	<u>(149,092)</u>	<u>948,773</u>
Total capital assets, being depreciated, net	<u>\$ 5,436,015</u>	<u>\$ (332,592)</u>	<u>\$ -</u>	<u>\$ 5,103,423</u>

**5. CONDUIT FINANCING PROGRAMS FOR MEMBERS**

ABAG assisted members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenues and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with ABAG which acts only as a conduit in pooling each issue. For that reason, ABAG has not recorded a liability for these issues. The ABAG Leasing Pool is no longer issuing new project debt and will allow the existing pool to run out.

A summary of the outstanding balances of the ABAG's Conduit Financing Programs as of June 30, 2020 is as follows:

	<u>Ending Balance June 30, 2020</u>
California Redevelopment Bonds	\$ 5,400,000
California Capital Projects Bonds	<u>3,400,000</u>
Total	<u>\$ 8,800,000</u>

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

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**6. PENSION PLAN**

**A. General Information about the Pension Plan**

***Plan Description***

The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for participating public employers within the state of California. The Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pools. Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous risk pools. Benefit provisions under the Plan are established by State statute and Agency resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

***Benefits Provided***

The ABAG's defined benefit pension plan, the Miscellaneous Plan of Association of Bay Area Governments ("the Plan"), provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutorily reduced benefits.

The Plan's provisions and benefits in effect at June 30, 2020, are summarized as follows:

	Miscellaneous Plan	
	Tier I	Tier II
	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013
Benefit formula	2.5%@55	2%@62
Benefit vesting schedule	5 Years service	5 Years service
Benefit payments	monthly for life	monthly for life
Retirement age	50- 55	52-62
Monthly benefits, as a percentage of eligible compensation	2.0%-2.5%	1.0%-2%

On July 1, 2017 all ABAG employees except for one, transferred to MTC. The last employee retired in January 2018. There will be no more employees added to the ABAG retirement Plan. ABAG remains responsible for its unfunded pension liabilities related to the legacy employees.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

***Contributions***

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. ABAG is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. The ABAG required contribution for the unfunded liability and side fund was \$1,754,472 in fiscal year 2020. ABAG did not make contributions for the normal cost portion in fiscal year 2020 because ABAG did not have active employees during fiscal year 2020.

**B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions**

As of June 30, 2020, ABAG reported a net pension liability for its proportionate share of the net pension liability as \$16,083,129.

ABAG's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plan is measured as of June 30, 2019, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. ABAG's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. ABAG's proportionate share of the net pension liability for the Plan as of June 30, 2018 and 2019 as follows:

	Miscellaneous Plan
Proportion - June 30, 2018	0.4141 %
Proportion - June 30, 2019	0.4016 %
Change - Increase (Decrease)	(0.0125)%

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

For the year ended June 30, 2020, ABAG recognized pension expense of \$2,801,104. At June 30, 2020, ABAG reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contribution made after the measurement date	\$ 1,754,472	\$ -
Difference between actual and expected experience	1,117,041	(86,548)
Changes in assumption	766,918	(271,866)
Net difference in actual and proportionate contribution	306,277	(88,722)
Net difference between projected and actual earnings on investments	-	(281,183)
Adjustments due to differences in proportion	91,876	(894,133)
Total	<u>\$ 4,036,584</u>	<u>\$ (1,622,452)</u>

The \$1,754,472 in the preceding table is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a pension expense as follows:

Year Ended June 30	Annual Amortization
2021	\$ 1,114,539
2022	(531,101)
2023	19,403
2024	56,819
Thereafter	-

# Association of Bay Area Governments

## Financial Statements for the Year Ended June 30, 2020

### Notes to Financial Statements

---

#### *Actuarial Assumptions*

For the measurement period ended June 30, 2019, the total pension liability was determined using the annual actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019. The June 30, 2019 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.5%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS's Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.0% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.5% thereafter

\* The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvements using Scale 90% of scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

#### *Change of Assumptions*

There were no changes of assumptions from the previous measurement date.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 7.15 percent for the Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as followed:

Asset Class (a)	Assumed Asset Allocation	Real Return Years 1 - 10 (b)	Real Return Years 11+ (c)
Global Equity	50 %	4.80 %	5.98 %
Fixed Income	28 %	1.00 %	2.62 %
Inflation Assets	- %	0.77 %	1.81 %
Private Equity	8 %	6.30 %	7.23 %
Real Assets	13 %	3.75 %	4.93 %
Liquidity	1 %	- %	(0.92)%
Total	100 %		

(a) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(b) An expected inflation of 2.00% is used for this period.

(c) An expected inflation of 2.92% is used for this period.

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents ABAG's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what ABAG's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Discount Rate -1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate +1% (8.15%)
Net Pension Liability	\$23,138,175	\$16,083,129	\$10,259,687

**C. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**7. OTHER POST EMPLOYMENT BENEFITS (OPEB)**

**A. Plan Description**

ABAG has contracted with the California Public Employees' Retirement System (CalPERS) for the purpose of providing medical insurance benefits for eligible retired employees and eligible survivors of retired employees. The Public Employees' Medical & Hospital Care Act (PEMHCA) governs the CalPERS Health Program. ABAG pays PEMHCA an administration fee. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

ABAG participates in the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post-retirement healthcare trust established to fund its other post-employment benefits (OPEB). CERBT Fund is a Section 115 trust fund administered by CalPERS, and is managed by an appointed board not under the control of the ABAG Board. This Trust is not considered a component unit by ABAG and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CalPERS at P.O. Box 942709, Sacramento, CA 94229-2709, or from CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

***Benefits provided:***

**Tier 1 (Hired before July 1, 2009)**

- Eligible retirees retired before September 1, 1994: ABAG pays 100% of Kaiser single basic premium for the retirees; and ABAG reimburses retirees for the Medicare Part B deductible upon submission of receipt or proof of payment.
- Eligible retirees retired after September 1, 1994: ABAG pays 100% of Kaiser 2-party basic premium for eligible retired employees; reimbursement for the Medicare Part B deductible will be made to the retirees and spouses upon submission of receipt or proof of payment.
- Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.

If retirees enroll in more expensive health plans than the Kaiser basic plan, retirees are responsible to pay for the portion exceeding the premium amount that ABAG pays.

**Tier 2 (Hired on or after July 1, 2009)**

ABAG contributes \$200/mo for management and \$100/mo for non-management to an individual medical after retirement account (MARA) during employment, and ABAG pays any PEMHCA minimum required by PEMHCA law. ABAG has no further obligation toward retiree health benefits or premiums.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

***Eligibility***

Employees become eligible to retire directly from ABAG under CalPERS and receive healthcare benefits upon reaching the age of 50 with 5 years of service. Benefits are paid for the lifetime of the retiree or eligible survivor.

Employees covered by benefit terms:

The number of participants eligible to receive benefits at June 30, 2019, the measurement date:

Active employees	-
Inactive employees or beneficiaries currently receiving benefit payments	47
Inactive employees entitled to but not yet receiving benefit payments	13
Total	<u>60</u>

***Contribution***

ABAG annually contributes to the Trust fund based on an actuarially determined contribution (ADC) amount for the reporting period determined based on the funding policy and the most recent measurement available. For the fiscal year ended June 30, 2020, total ABAG contributions were \$987,853. There was no covered-employee payroll in fiscal year 2020 because of no active employees in fiscal year 2020.

**B. Net OPEB Asset**

ABAG's net OPEB asset was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2019.

***Actuarial Assumptions*** - The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2019
Contribution Policy	Contributes full ADC
Discount Rate	6.75% at June 30, 2019; 6.75% at June 30, 2018
General Inflation	2.75%
Expected Long-Term Rate of Return on Investment	Same as discount rate. Contributions projected to keep sufficient plan assets to pay all benefit from trust.
Medical Trend Rate	Non-Medicare 7.5% for 2020, decreasing to an ultimate rate of 4% in 2076; Medicare 6.5% for 2020, decreasing to an ultimate rate of 4% in 2076.
Mortality, Retirement, Disability, Termination	Based on CalPERS 1997-2015 Experience Study.
Mortality Improvement	Mortality projected fully generational with Scale MP-2019.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

PEMHCA Minimum Increase	4.25% annually
Salary Increases	Aggregate 3% annually Merit - CalPERS 1997-2015 Experience Study
Changes of Assumptions	Mortality improvement scale was updated to Scale MP-2019
Changes of Benefit Terms	None

***Expected Long-Term Rate of Return:***

Asset Class Component	Target Allocation* CERBT-Strategy 1	Expected Real Rate of Return
Global Equity	59%	4.82%
Fixed Income	25%	1.47%
TIPS	5%	1.29%
Commodities	3%	0.84%
REITs	8%	3.76%
Assumed Long-Term Rate of Inflation		2.75%
Expected Long-Term Net Rate of Return, Rounded		6.75%

The expected long term real rates of returns are presented as geometric means.

\*Policy target effective October 1, 2018.

***Discount Rate*** - The discount rate used to measure the total OPEB liability was 6.75 percent the same as the prior valuation discount rate. The projection of cash flows used to determine the discount rate assumed that ABAG's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**C. OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in a separately issued CERBT financial report that can be found on the CalPERS website: [www.calpers.ca.gov](http://www.calpers.ca.gov)

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**D. Changes in Net OPEB Liability/(Asset)**

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2019 (6/30/18 measurement date)	\$ 7,663,688	\$ 6,675,835	\$ 987,853
Changes for the year			
Service cost	-	-	-
Interest on the total OPEB liability	499,860	-	499,860
Changes in benefit terms	-	-	-
Actual vs. expected experience	(162,855)	-	(162,855)
Assumption changes	(183,250)	-	(183,250)
Contributions - employer	-	773,664	(773,664)
Net investment income	-	438,625	(438,625)
Benefit payments	(516,714)	(516,714)	-
Administrative expenses	-	(2,556)	2,556
Net changes	(362,959)	693,019	(1,055,978)
Balance at June 30, 2020 (6/30/19 measurement date)	\$ 7,300,729	\$ 7,368,854	\$ (68,125)

***Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Discount Rate***

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
Net OPEB Liability/(Asset)	\$ 772,327	\$ (68,125)	\$ (765,524)

***Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Healthcare Cost Trend Rate***

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability/(Asset)	\$ (752,597)	\$ (68,125)	\$ 742,954

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources**

For the year ended June 30, 2020, ABAG recognized negative OPEB expense of \$353,486. At June 30, 2020, ABAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments *	\$ -	\$ 100,992
Employer contributions made subsequent to the measurement date **	987,853	-
Total	<u>\$ 987,853</u>	<u>\$ 100,992</u>

\* Combine Deferred Inflows and Outflows for footnote disclosure.

\*\* Include contributions to trust.

The \$987,853 in the preceding table is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/(Inflows) of Resources
2021	\$ (49,037)
2021	(49,039)
2022	(7,343)
2023	4,427
Thereafter	-

**8. CONTINGENCIES**

ABAG's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be absorbed by ABAG.

ABAG is involved in various claims and litigation that are considered normal to ABAG's activities. In the opinion of ABAG's management, the ultimate resolution of these matters will not have a material adverse effect on ABAG's financial statements.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

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**9. RISK MANAGEMENT**

ABAG is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ABAG purchases commercial insurance through an insurance agent, who obtains the appropriate insurance coverage needed by ABAG from insurance companies. To date, there have been no significant reductions in any of ABAG's insurance coverage, and no settlement amounts have exceeded commercial insurance coverage for the past three years.

**10. RELATED PARTY TRANSACTIONS**

**The 375 Beale Condominium Corporation**

The 375 Beale Condominium Corporation (the "375 Beale Condo") was incorporated in June 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law. The 375 Beale Condo was formed to provide for the management of the association for the three condominium owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California.

375 Beale Condo exercised a custodial responsibility on behalf of the owner occupants and assessed sufficient amounts to meet all required expenditures of the common area and joint used space. The 375 Beale Condo collects two types of assessment fees: common area and shared services. Assessment fees are predetermined yearly by the budget approved by the board. The assessment fees billed to ABAG for common area assessments and shared services assessment fees were \$168,603 and \$181,397 respectively for fiscal year 2020.

**Metropolitan Transportation Commission (MTC)**

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and MTC staff will perform all of the duties and programmatic work for ABAG. On July 1, 2017 all members of ABAG staff, excluding ABAG's Legal Counsel, who retired on January 5, 2018, were merged into the staff of MTC as new employees of MTC. ABAG paid MTC \$3,048,200 for administrative support services during fiscal year 2020. On June 6, 2019 ABAG's General Assembly approved the proposed Budget and Work Program for Fiscal Year 2020, which includes a contribution amount of \$530,000 to MTC. In May 2020, ABAG made a contribution of \$530,000 to MTC.

On November 14, 2018, MTC board approved an operational advance to ABAG in the amount not to exceed \$10 million to assist ABAG in its cash flows needs. The advance will be drawn by ABAG as needed. ABAG will be charged 1% fee on any drawn amounts. On October 23, 2019, MTC's board approved an extension of the ABAG Operational Advance for Liquidity and Cash Flow through December 2021, unless reauthorized in advance by MTC and ABAG. MTC authorized up to \$2 million of the operational advance for longer term project loans, and authorized up to \$1 million of the longer term project loans for the ABAG Bay Area Regional Energy Network (BayREN) Water Bill Savings Program. ABAG did not utilize the operational advance during fiscal year 2020.

**Association of Bay Area Governments**  
**Financial Statements for the Year Ended June 30, 2020**  
**Notes to Financial Statements**

---

**ABAG Finance Authority for Non-Profit Corporations (FAN)**

ABAG Finance Authority for Non-Profit Corporations (FAN) assists non-profit corporations and local governments in obtaining financing. Prior to July 1, 2017, ABAG contracted with FAN to provide administrative support. As of July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement between ABAG and MTC. On March 27, 2019 ABAG FAN Executive Committee approved up to \$1,000,000 contribution to ABAG for retiring its remaining OPEB costs. In July 2019 ABAG FAN made a contribution of \$987,853 to ABAG. The contribution was being made towards ABAG's net OPEB liability.

**ABAG Publicly Owned Energy Resources (POWER)**

ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. Prior to July 1, 2017, ABAG contracted with POWER to provide administrative support. As of July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement.

**San Francisco Bay Restoration Authority (SFBRA)**

The San Francisco Bay Restoration Authority (SFBRA) is a regional entity established by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. that is charged with raising and allocating local resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. SFBRA successfully placed the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure ("Measure AA"), a regional special tax measure, on the June 2016 ballot to raise such funds.

On October 24, 2016, the State Coastal Conservancy (SCC), ABAG and SFBRA entered into a joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA ("JPA"). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and MTC entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017.

## **Required Supplementary Information**

**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, 2020  
Last Ten Years\***

**Schedule I**

	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
Measurement Date	0.4744 %	0.4738 %	0.4246 %	0.4132 %	0.4141 %	0.4016 %
Employer's proportion of the collective net pension liability	\$ 11,357,673	\$ 12,998,297	\$ 14,749,850	\$ 16,288,587	\$ 15,604,366	\$ 16,083,129
Employer's proportionate share of the collective net pension liability	\$ 6,847,411	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ -
Employer's covered payroll **						
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 %	20,901.00 %	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 %

Notes to Schedule:

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

\*\* The last employee retired in January 2018. There were no active employees thereafter.

Changes of Assumptoins: None in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Assumptions December 2017. There were no changes in the discount rate. In 2017, the discount rate was reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expenses) to 7.65 percent (without a reduction for pension plan administrative expenses). In 2014, amounts reported were based on the 7.5 percent discount rate.

**Association of Bay Area Governments**  
**Cost-Sharing Defined Benefit Pension Plan**  
**Schedule of Employer Contributions - Pension (unaudited)**  
**As of fiscal year ending June 30, 2020**  
**Last Ten Years \***

**Schedule II**

	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Tier I & II	Tier I & II	Tier I & II	Tier I & II	Tier I & II	Tier I & II
Fiscal Year Date	Fiscal Year 2014-2015	Fiscal Year 2015-2016	Fiscal Year 2016-2017	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
Actuarially determined contribution	\$ 1,305,738	\$ 491,374	\$ 2,744,108	\$ 1,293,682	\$ 1,391,147	\$ 1,754,472
Contributions in relation to the actuarially determined contributions	\$ (1,305,738)	\$ (491,374)	\$ (2,744,108)	\$ (1,293,682)	\$ (1,391,147)	\$ (1,754,472)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll **	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ -	\$ -
Contributions as a percentage of covered payroll	21.07 %	8.14%	47.05%	1,732.88%	N/A	N/A

Notes to Schedule:

\* Fiscal year 2015 was the 1st year of implementation, therefore only six years are shown.

\*\* The last employee retired in January 2018. There were no active employees thereafter.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were derived from the June 30, 2016 funding valuation report and listed in the following table.

Actuarial cost method	Entry age normal cost
Amortization method/period	Level of percentage pay. For details, see June 30, 2016 Funding Valuation Report.
Asset valuation method	Fair value of assets. For details, see June 30, 2016 Funding Valuation Report.
Inflation	2.75%
Salary increase	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.375% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

# Association of Bay Area Governments

## Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios (unaudited)

For the Year Ended June 30, 2020

Last Ten Years \*

Schedule III

Measurement Period	2016-17	2017-18	2018-19
Changes in Total OPEB liability			
Service cost	\$ 6,314	\$ -	\$ -
Interest on the total OPEB liability	499,585	500,228	499,860
Difference between actual and expected experience	-	-	(162,855)
Changes of assumptions	-	-	(183,250)
Benefit payments	(485,483)	(494,650)	(516,714)
Net change in total OPEB liability	20,416	5,578	(362,959)
Total OPEB liability - beginning	7,637,694	7,658,110	7,663,688
Total OPEB liability - ending (a)	<u>\$ 7,658,110</u>	<u>\$ 7,663,688</u>	<u>\$ 7,300,729</u>
Changes in OPEB fiduciary net position			
Benefit payments	\$ (485,483)	\$ (494,650)	\$ (516,714)
Contribution from employer	774,994	766,499	773,664
Net investment income	562,294	469,061	438,625
Administrative expenses	(2,814)	(12,593)	(2,556)
Net change in plan fiduciary net position	848,991	728,317	693,019
Plan fiduciary net position - beginning	5,098,527	5,947,518	6,675,835
Plan fiduciary net position - ending (b)	<u>\$ 5,947,518</u>	<u>\$ 6,675,835</u>	<u>\$ 7,368,854</u>
Plan net OPEB liability/(asset) - ending (a) - (b)	<u>\$ 1,710,592</u>	<u>\$ 987,853</u>	<u>\$ (68,125)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	77.66%	87.11%	100.93%
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

### Notes to Schedule

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only three years are shown.

\*\* The last employee retired in January 2018. There were no active employees thereafter.

There are no changes on discount rate and long-term expected rate of return on Assets.

Mortality projected fully generational with Scale MP-2019 in June 30, 2019 measurement date. Mortality projected fully generational with Scale MP-2017 in June 30, 2018 measurement date.

**Association of Bay Area Governments**  
**Schedule of Employer Contributions - OPEB (unaudited)**  
**For the Year Ended June 30, 2020**  
**Last 10 Years \***

**Schedule IV**

	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020
Actuarially determined contribution **	\$ 752,000	\$ 93,000	\$ 93,000
Contributions in relation to the actuarially determined contribution	(766,499)	(773,664)	(987,853)
Contribution deficiency (excess)	<u>\$ (14,499)</u>	<u>\$ (680,664)</u>	<u>\$ (894,853)</u>
Covered-employee payroll ***	\$ 126,057	\$ -	\$ -
Contribution as a percentage of covered- employee payroll	608.06%	N/A	N/A

Notes to Schedule

\* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only three years are shown.

\*\* The July 1, 2017 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/19 and 6/30/20.

\*\*\* The last employee retired in January 2018. There were no active employees thereafter.

Methods and assumptions for 2019-2020 actuarially determined contribution:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal, Level Percentage of Payroll
Amortization Method	Level percent of pay
Amortization Period	18-year fixed period for 2019/20 (reduced from 19-year and 20-year fixed period for 2018/19 and for 2017/18 respectively)
Asset Valuation Method	Investment gains and losses spread over 5-year rolling period
Discount Rate	6.75%
General Inflation	2.75%
Medical Trend	Non-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076 and later years; Medicare - 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076
Mortality	CalPERS 1997-2015 experience study
Mortality Improvement	Post-retirement mortality projected fully generational with modified Scale MP-2017

## **Other Supplementary Information**

**Association of Bay Area Governments**  
**Schedule of Net Position - ABAG**  
**June 30, 2020**

**Schedule 1**

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
<b>Assets</b>					
Current assets:					
Cash	\$ 992,743	\$ 1,146,151	\$ 6,262,946	\$ 128,043	\$ 8,529,883
Account receivable	553,439	4,181	-	-	557,620
Due from/(to) other program	1,587	-	-	(1,587)	-
Accrued interest	5,998	-	-	-	5,998
Loan receivable	-	-	67,297	-	67,297
Receivable from federal	-	1,077,385	13,743	212,593	1,303,721
Receivable from state	-	5,330,640	-	190,758	5,521,398
Receivable from local	-	138,307	21,750	-	160,057
Due from other government	5,454	101,849	-	-	107,303
Prepaid items	24,163	-	735,449	-	759,612
Total current assets	<u>1,583,384</u>	<u>7,798,513</u>	<u>7,101,185</u>	<u>529,807</u>	<u>17,012,889</u>
Non-current assets:					
Loan receivable	-	-	1,645,431	-	1,645,431
Capital assets, net of accumulated depreciation/ amortization	5,103,423	-	-	-	5,103,423
Net OPEB asset	68,125	-	-	-	68,125
Total non-current assets	<u>5,171,548</u>	<u>-</u>	<u>1,645,431</u>	<u>-</u>	<u>6,816,979</u>
<b>Total assets</b>	<u>\$ 6,754,932</u>	<u>\$ 7,798,513</u>	<u>\$ 8,746,616</u>	<u>\$ 529,807</u>	<u>\$ 23,829,868</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows from pension	4,036,584	-	-	-	4,036,584
Deferred outflows from OPEB	987,853	-	-	-	987,853
<b>Total deferred outflows of resources</b>	<u>5,024,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,024,437</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	122,691	4,402,974	1,059,667	-	5,585,332
Accrued liabilities	23,005	-	-	-	23,005
Retention payable	-	2,346,932	-	55,414	2,402,346
Unearned revenue	-	549,675	5,036,245	341,394	5,927,314
Due to other government	64,481	164,871	80,136	132,999	442,487
Total current liabilities	<u>210,177</u>	<u>7,464,452</u>	<u>6,176,048</u>	<u>529,807</u>	<u>14,380,484</u>
Non-current liabilities:					
Unearned revenue	-	-	161,021	-	161,021
Advance from PG&E	-	-	2,410,000	-	2,410,000
Net pension liability	16,083,129	-	-	-	16,083,129
Total non-current liabilities	<u>16,083,129</u>	<u>-</u>	<u>2,571,021</u>	<u>-</u>	<u>18,654,150</u>
<b>Total liabilities</b>	<u>16,293,306</u>	<u>7,464,452</u>	<u>8,747,069</u>	<u>529,807</u>	<u>33,034,634</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows from pension	1,622,452	-	-	-	1,622,452
Deferred inflows from OPEB	100,992	-	-	-	100,992
<b>Total deferred inflows of resources</b>	<u>1,723,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,723,444</u>
<b>Net Position</b>					
Net investment in capital assets	5,103,423	-	-	-	5,103,423
Unrestricted	(11,340,804)	334,061	(453)	-	(11,007,196)
<b>Total net position</b>	<u>\$ (6,237,381)</u>	<u>\$ 334,061</u>	<u>\$ (453)</u>	<u>\$ -</u>	<u>\$ (5,903,773)</u>

**Association of Bay Area Governments**  
**Schedule of Revenues, Expenditures and Changes in Net Position - ABAG**  
**For the Year Ended June 30, 2020**

**Schedule 2**

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
<b>Operating Revenues</b>					
Membership dues	\$ 2,887,875	\$ -	\$ -	\$ -	\$ 2,887,875
Conference registration	-	281,605	-	-	281,605
Other operating revenues	1,820	57,718	-	-	59,538
<b>Total operating revenues</b>	<u>2,889,695</u>	<u>339,323</u>	<u>-</u>	<u>-</u>	<u>3,229,018</u>
<b>Operating Expenses</b>					
Contracted salaries and benefits	2,367,035 *	123,393	-	-	2,490,428
Professional fees	453,174	210,070	-	-	663,244
Conference and meeting costs	11,874	111,015	-	-	122,889
Building assessments	350,000	-	-	-	350,000
Committee members' stipend	92,575	-	-	-	92,575
Insurance	126,955	-	-	-	126,955
Memberships	107,050	4,500	7,800	-	119,350
Depreciation expense	332,592	-	-	-	332,592
Overhead	5,245	59	-	-	5,304
Other operating expenses	57,687	10,740	-	-	68,427
<b>Total operating expenses</b>	<u>3,904,187</u>	<u>459,777</u>	<u>7,800</u>	<u>-</u>	<u>4,371,764</u>
<b>Operating Loss</b>	<u>(1,014,492)</u>	<u>(120,454)</u>	<u>(7,800)</u>	<u>-</u>	<u>(1,142,746)</u>
<b>Nonoperating Revenues (Expenses)</b>					
Federal grants	-	2,355,954	127,461	366,264	2,849,679
State grants	-	6,087,044	20,114,356	58,580	26,259,980
Local grants	-	248,043	130,959	-	379,002
Contracted salaries and benefits	-	(1,769,991)	(605,764)	-	(2,375,755)
Professional fees	-	(6,693,419)	(19,254,772)	(424,844)	(26,373,035)
Interest income	23,723	-	-	-	23,723
Contribution from BATA	-	100,000	-	-	100,000
Contribution from FAN	987,853	-	-	-	987,853
Contribution to MTC	(530,000)	-	-	-	(530,000)
Other nonoperating expenses	-	(227,631)	(512,240)	-	(739,871)
<b>Total nonoperating revenues (expenses)</b>	<u>481,576</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>581,576</u>
<b>Change in Net Position</b>	<u>(532,916)</u>	<u>(20,454)</u>	<u>(7,800)</u>	<u>-</u>	<u>(561,170)</u>
<b>Net position, beginning of year</b>	<u>(5,704,465)</u>	<u>354,515</u>	<u>7,347</u>	<u>-</u>	<u>(5,342,603)</u>
<b>Net position, end of year</b>	<u>\$ (6,237,381)</u>	<u>\$ 334,061</u>	<u>\$ (453)</u>	<u>\$ -</u>	<u>\$ (5,903,773)</u>

\* includes: recognitions of GASB 68 (pension) and GASB 75 (OPEB) expenses of \$2,447,618, a credit of \$82,000 for OPEB Implicit Subsidy, and other miscellaneous \$1,417.

**Association of Bay Area Governments**  
**Combining Statement of Net Position**  
**Non-Major Enterprise Funds**  
**June 30, 2020**

**Schedule 3**

	<u>Balance Foundation</u>	<u>ABAG Finance Corporation</u>	<u>Total Non- Major Enterprise Funds</u>
<b>Current Assets</b>			
Cash	\$ 27,883	\$ 19,966	\$ 47,849
Total current assets	<u>\$ 27,883</u>	<u>\$ 19,966</u>	<u>\$ 47,849</u>
<b>Net Position</b>			
Unrestricted	<u>27,883</u>	<u>19,966</u>	<u>47,849</u>
Total net position	<u><u>\$ 27,883</u></u>	<u><u>\$ 19,966</u></u>	<u><u>\$ 47,849</u></u>

# Association of Bay Area Governments

## Combining Statement of Revenues, Expenditures and Changes in Net Position

### Non-Major Enterprise Funds

For the Year Ended June 30, 2020

#### Schedule 4

	Balance Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
<b>Operating Revenues:</b>			
<b>Operating Expenses:</b>			
Professional fees	\$ 2,500	\$ 2,500	\$ 5,000
Other operating expenses	20	70	90
Total operating expenses	2,520	2,570	5,090
<b>Operating Loss</b>	(2,520)	(2,570)	(5,090)
<b>Change in Net Position</b>	(2,520)	(2,570)	(5,090)
Net position, beginning of year	30,403	22,536	52,939
Net position, end of year	\$ 27,883	\$ 19,966	\$ 47,849

**Association of Bay Area Governments**  
**Schedule of ABAG Conduit Financing Pool**  
**For the Year Ended June 30, 2020**

**Schedule 5**

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance 6/30/2020
ABAG 1994 Tax Allocation Revenue Bonds, Series A and 1994 Subordinated Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	06/29/1994	12/15/2024	\$ 43,695,000	\$ 1,115,000
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	04/11/2006	09/01/2026	9,605,000	3,765,000
ABAG Lease Revenue Bonds, 2001-2 (California Capital Projects)	01/10/2002	12/01/2025	14,355,000	80,000
ABAG 2006 Water and Wastewater Revenue Bonds, Series A (City of Ukiah) (1)	03/02/2006	03/01/2036	75,060,000	-
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	07/18/2002	07/01/2032	13,370,000	3,320,000
ABAG 2004 Tax Allocation Revenue Bonds, Series A (California Redevelopment Agency Pool) Series A	12/15/2004	09/01/2035	34,080,000	520,000
ABAG Lease Revenue Bonds, 2001 Series A (California Capital Projects) (2)	07/31/2001	07/01/2031	15,110,000	-
Total 7 transactions				<u>\$ 8,800,000</u>

(1) ABAG 2006 Water and Wastewater Revenue Bonds, Series A, had \$4,690,000 redeemed on 9/1/2019 and \$49,670,000 redeemed on 3/1/2020.

(2) ABAG Lease Revenue Bonds, 2001 Series A, was fully redeemed on 10/21/2019.



# Metropolitan Transportation Commission

375 Beale Street, Suite 800  
San Francisco, CA 94105

## Legislation Details (With Text)

<b>File #:</b>	20-1583	<b>Version:</b>	1	<b>Name:</b>	
<b>Type:</b>	Report	<b>Status:</b>		Committee Approval	
<b>File created:</b>	10/20/2020	<b>In control:</b>		ABAG Finance Committee	
<b>On agenda:</b>	11/19/2020	<b>Final action:</b>			
<b>Title:</b>	Presentation on the Metropolitan Transportation Commission (MTC) Small Business Enterprise (SBE) Program				
<b>Sponsors:</b>					
<b>Indexes:</b>					
<b>Code sections:</b>					
<b>Attachments:</b>	<a href="#">Item 10a 1 Summary Sheet ABAG EB SBE Program Informational Item.pdf</a> <a href="#">Item 10a 2 Attachment MTC SBE Program Final 032520.pdf</a> <a href="#">Item 10a 3 Attachment ABAG Overview of SBE Program Presentation.pdf</a>				

Date	Ver.	Action By	Action	Result
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Presentation on the Metropolitan Transportation Commission (MTC) Small Business Enterprise (SBE) Program

Edward Phillips

Information

**Association of Bay Area Governments  
Finance Committee**

**November 19, 2020**

**Agenda Item 10.a.**

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**Small Business Enterprise (SBE) Program**

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**Subject:** Presentation on the Metropolitan Transportation Commission (MTC) Small Business Enterprise (SBE) Program

**Background:** This past March, MTC approved Resolution No. 4413, the Metropolitan Transportation Commission (MTC) Small Business Enterprise (SBE) Program, which updated and combined MTC's SBE Program for Civil Construction (adopted October 2015) and the Pilot SBE Program for Professional Services (adopted January 2017) which broadened the acceptable certifications and expanded the SBE Preference into a two-tiered program. The proposed SBE Program created one comprehensive SBE program that now casts a wider net to SBE firms in the nine county Bay Area and looks to increase the number of contracts with the SBE Preference being applied. Additionally, the program was overwhelmingly approved by Bay Area Toll Authority Oversight Committee, Bay Area Infrastructure Financing Authority, Bay Area Headquarters Authority, and MTC Service Authority for Freeways and Expressways.

The SBE Program:

- Applies to all non-federally funded and non-A&E contracts with a budget in excess of \$25,000;
- Has broadened the acceptable certifications, to be eligible for the Bid/Evaluation Preference allowed under the SBE Program, firms (prime Contractor or Subconsultant/Subcontractor/Vendor) must be certified under any of the programs outlined below:
  - California Certified Small Business as certified by the California Department of General Services (DGS)
  - A Disadvantaged Business Enterprise (DBE) as certified by the California Unified Certification Program (CUCP)
  - City and County of San Francisco Local Business Enterprise (LBE) as certified by the Contract Monitoring Division (CMD)
  - Alameda County Small Local and Emerging Business (SLEB) program as certified by the Alameda County SLEB Certification Unit; or
  - DVBE/LBE/LGBTBE/MBE/SBE/WBE certification from a formal certifying agency in the nine county Bay Area,

**Association of Bay Area Governments  
Finance Committee**

**November 19, 2020**

**Agenda Item 10.a.**

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**Small Business Enterprise (SBE) Program**

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provided that the certification can be verified through a searchable database and meets the requirements of the State of California Small Business Program. (Disadvantaged Veteran Business Enterprise (DVBE), Local Business Enterprise (LBE), Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE), Minority Business Enterprise (MBE), Small Business Enterprise (SBE), Women Business Enterprise (WBE))

- Allows for a two-tiered Bid/Proposal Evaluation Preference to the total amount of a bid/proposal submitted by a Bidder/Proposer for the purpose of bid/proposal comparisons when determining the lowest responsive and responsible bid or most advantageous proposal.
  - A Bid/Evaluation Preference of five percent (5%) or five (5) points will be added to the total evaluation percentage or points, when the Proposer meeting specifications commits to at least twenty-five percent (25%) SBE participation for the work (which can be achieved by the prime, by a sub(s), or a combination of prime and sub(s) who meet the requirements).
  - A Bid/Evaluation Preference of 10 percent (10%) or ten (10) points will be added to the total evaluation percentage or points, when the Proposer meeting specifications commits to forty percent (40%) or more SBE participation for the work (which can be achieved by the prime, by a sub(s), or a combination of prime and sub(s) who meet the requirements).

Statistics since April 1, 2020:

- 30 Procurements have been issued
  - 9 were federally funded
  - 12 were issued with the SBE Program
  - 9 were either A&E, ABAG, or a mini-procurement off of a bench that did not yet have the SBE Program applied
  - 11 Contracts have been issued since April 1, 2020 with the SBE preference being applied

**Issues:**

None

**Association of Bay Area Governments**  
**Finance Committee**

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**November 19, 2020**

**Agenda Item 10.a.**

**Small Business Enterprise (SBE) Program**

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**Recommended Action:** The ABAG Finance Committee is requested to recommend ABAG Executive Board direct staff to develop the Small Business Enterprise Program documentation and resolution to be presented to the ABAG Finance Committee and ABAG Executive Board for adoption.

**Attachments:** A. Metropolitan Transportation Commission Small Business Enterprise (SBE) Program

B. Presentation

**Reviewed:**



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Therese W. McMillan



METROPOLITAN  
TRANSPORTATION  
COMMISSION

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# **Metropolitan Transportation Commission Small Business Enterprise (SBE) Program**

# Table of Contents

<b>OBJECTIVES/POLICY STATEMENT .....</b>	<b>1</b>
<b>SUBPART A – GENERAL REQUIREMENTS .....</b>	<b>2</b>
A.1 Objectives.....	2
A.2 Applicability.....	2
A.3 Definitions .....	2
<b>SUBPART B - ADMINISTRATIVE REQUIREMENTS .....</b>	<b>5</b>
B.1 Program Updates .....	5
B.2 SBELO and Program Implementation .....	5
B.3 Certification Standards and SBE Directories .....	6
B.4 Record Keeping Requirements.....	7
B.5 Public Outreach .....	7
<b>SUBPART C – EVALUATION PREFERENCE AND SBE PARTICIPATION .....</b>	<b>8</b>
C.1 Evaluation Preference .....	8
C.2 Maintaining Participation.....	8
C.3 Substitution of Listed Subcontractors .....	9
C.4 Joint Venture Agreements .....	9
C.5 Counting SBE Participation .....	11
<b>SUBPART D – COMPLIANCE AND ENFORCEMENT .....</b>	<b>12</b>
D.1 Monitoring.....	12
D.2 SBE Utilization Report.....	13
D.3 SBE Program Enforcement .....	13

## **OBJECTIVES/POLICY STATEMENT**

In order to provide economic opportunity for residents and businesses, and stimulate economic development in the San Francisco Bay Area Region, the Metropolitan Transportation Commission (MTC) hereby establishes a Small Business Enterprise (SBE) Program (“SBE Program” or “Program”) to assist SBE firms in participating in MTC non-federally funded, non-architectural and engineering (A&E) materials, equipment, supplies, services and construction contracts. This Program is aimed at using the power of the public purse to stimulate economic development.

The objectives of the SBE Program include:

1. To increase the number of certified SBEs participating in non-federally funded, non-A&E contracts;
2. To increase overall competition on non-federally funded, non-A&E contracts potentially allowing for the completion of projects at a lower overall cost;
3. To create a level playing field on which SBEs can compete fairly on non-federally funded contracts;
4. To ensure that only SBE firms (prime Consultant/Contractor or Subconsultant/Subcontractor/Vendor) meeting the Program’s eligibility requirements are eligible for the Evaluation Preference allowed under the Program;
5. To help remove barriers to the participation of SBEs in non-federally funded contracts; and
6. To identify business enterprises that are qualified as SBE’s and are qualified to provide MTC with required materials, equipment, supplies and services.

The Director of Administration & Facilities Services Section (AFS) has been designated as the SBE Liaison Officer (SBELO). In that capacity, the AFS Director is responsible for implementing all aspects of the Program. Implementation of the SBE Program is intended to be consistent with the MTC Disadvantaged Business Enterprise (DBE) Program.

## **SUBPART A – GENERAL REQUIREMENTS**

### **A.1 Objectives**

The objectives are found in the policy statement on the first page of this Program.

### **A.2 Applicability**

MTC is a recipient of state and local funds. As a condition of this assistance, and in compliance with Proposition 209, MTC shall implement this Program without consideration of race, sex, or ethnicity. This Program sets forth the policies and procedures to be implemented by MTC to confirm that small businesses have the maximum opportunity to participate in MTC non-federally funded materials, equipment, supplies, services and construction contracts.

When a non-federally funded, non-A&E contract is awarded to a Consultant/Contractor/Vendor based on the Evaluation Preference described in C.1 of this Program, the Consultant/Contractor/Vendor must adhere to all the requirements included in this Program.

This Program applies solely to non-federally funded, non-A&E materials, equipment, supplies, services and construction contracts.

### **A.3 Definitions**

MTC adopts the following definitions listed below for this SBE Program:

1st Tier Subconsultant/Subcontractor/Vendor – A subconsultant or subcontractor to a Consultant or Contractor.

2<sup>nd</sup> Tier Subconsultant/Subcontractor/Vendor – A subconsultant or subcontractor to a 1<sup>st</sup> Tier subconsultant or subcontractor.

AFS – Administrative and Facilities Services Section.

Bid – The offer of the bidder for the construction project when completed and submitted in response to an IFB on the prescribed bid form.

Bid Preference – The application of a percentage discount to the total amount of a bid submitted by a Bidder for a contract solely for the purpose of bid comparisons when determining the lowest and best bid, or lowest responsible bid. The use of a bid preference for bid comparison does not alter the total amount of the bid submitted by a bidder or the contract executed based on a bid.

Business Suppliers – An individual or business entity that makes available a certain commodity for meeting demand or for purchase at a given price.

Civil Construction – Civil Construction is a segment of the broader construction industry focused on building core infrastructure such as highways, roads, bridges, telecommunications, subway tunnels, light rail transit lines and public buildings.

Commercially Useful Function (CUF) – An SBE performs a commercially useful function when it

is responsible for the execution of the work of the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. An SBE does not perform a CUF if it does not perform or exercise responsibility for at least 60 percent of the total cost of its contract that would be expected on the basis of normal industry practice for the type of work involved. If, in MTC's judgment, the SBE does not perform a CUF in the transaction, no Evaluation Preference will be awarded.

Community Based Organization (CBO) – A non-government agency created to provide training, employment or community assistance.

Consultant/Contractor/Vendor – The individual, partnership, corporation, joint venture or other legal entity entering into a contractual agreement with MTC.

Evaluation Preference – The application of a percentage or point preference to the total evaluation score of a Proposer for a procurement or solicitation, solely for the purpose of Proposal or SOQ comparisons when determining the highest ranked Proposal or SOQ. The use of an Evaluation Preference for Proposal or SOQ comparison will alter the total percentage or points allotted to the Proposer.

Invitation for Bid (IFB) – Invitation for Bid issued by MTC for construction services.

Manufacturer – A firm that operates or maintains a factory or establishment that produces on the premises the materials or supplies purchased.

MTC - Metropolitan Transportation Commission.

Monitoring – The system established to measure compliance with the Program.

Post Award – The meeting held between MTC and Consultants/Contractors/Vendors after the award of a Professional Services or civil construction project and before contract execution. Post award meetings occur at the request of either MTC or Consultant/Contractor/Vendor.

Professional Services – any non-public works service(s). Professional Services contracts may contain a minor public works component.

Proposer – Consultant/Contractor/Vendor submitting a Proposal or SOQ in response to a RFP or RFQ.

Proposal – An offer of a Proposer to provide Professional Services, in response to an RFP.

Request for Proposal (RFP) – RFP issued by MTC for Professional Services.

Request for Qualifications (RFQ) – RFQ issued by MTC for Professional Services.

SBE Program – The MTC SBE Program.

Small Business Enterprise (SBE) – A firm that meets the requirements set forth in Section B.3 Certification Standards and SBE Directories.

SBE Broker – An SBE Broker is a firm that is not a vendor but is providing assistance in the procurement of required materials or supplies.

SBE Dealer – An SBE Dealer is a firm that owns, operates or maintains a store, warehouse, or other establishment in which the materials, supplies, articles or equipment of the general character described by the specifications and required under the Agreement are bought, kept in stock, and regularly sold or leased to the public in the usual course of business. The firm must be an established, regular business that engages, as its principal business and under its own name, in the purchase and sale or lease of the products in question.

SBE Directory – The list of firms certified under any of the programs outlined in Section B.3 Certification Standards and SBE Directories, which is used by MTC and its Consultants/Contractors/Vendors to identify potential SBE Consultants/Contractors/Vendors and Subconsultants/Subcontractors/Vendors and suppliers.

SBELO – Small Business Enterprise Liaison Officer.

SOQ – A statement of qualifications submitted by a Proposer in response to an RFQ.

Subcontract – A contract entered into between a Consultant/Contractor/Vendor with a Subconsultant/Subcontractor/Vendor.

Subconsultant/Subcontractor/Vendor – The individual, partnership, corporation or other legal entity that contracts to perform part of or all of the obligations of another's contract.

Subrecipient – Any agency that receives funds from MTC via statute, an interagency, cooperative or funding agreement.

Utilization – Percentage of total dollars of a type of work going to SBEs.

Web-based Diversity Tracking System – The diversity tracking software provided by MTC to Consultants/Contractors/Vendors accessible from any internet browser on any platform or operating system.

## **SUBPART B - ADMINISTRATIVE REQUIREMENTS**

### **B.1 Program Updates**

The SBELO or designee will provide the appropriate authorizing board with updates representing significant changes in the Program.

### **B.2 SBELO and Program Implementation**

MTC has designated the following individual as its SBE Liaison Officer (SBELO):

Director of Administration and Facilities Section (AFS)  
Metropolitan Transportation Commission 375 Beale St, Suite 800  
San Francisco, CA 94105  
Phone: (415) 778-6700  
Email: [contracts@bayareametro.gov](mailto:contracts@bayareametro.gov)

In that capacity, the SBELO is responsible for implementing all aspects of the SBE Program and ensuring that MTC complies with all provisions of the SBE Program. The SBELO has direct, independent access to the Executive Director concerning SBE Program matters.

The SBELO is responsible for developing, implementing and monitoring the SBE Program, in coordination with other appropriate officials. The SBELO has staff to assist in the administration of the SBE Program. The duties and responsibilities include the following:

1. Gathers and reports statistical data and other information as required.
2. Reviews third party contracts and purchase requisitions for compliance with the SBE Program.
3. Works with AFS staff to determine if a Proposer/Bidder has achieved the requirements for the Evaluation Preference.
4. Confirms that notices of procurement and solicitations are available to SBEs in a timely manner.
5. Identifies qualified contracts and procurements so that SBE preferences are included in all applicable procurements.
6. Analyzes MTC's progress toward SBE attainment and identifies ways to improve progress.
7. Participates in pre-proposal/pre-bid meetings.
8. Advises the Executive Director and/or the appropriate authorizing board on SBE matters and achievement.
9. Provides outreach to SBEs and CBOs to advise them of opportunities and technical assistance to SBEs to assist in Proposal, SOQ and/or bid preparation and obtaining bonding and insurance.

### B.3 Certification Standards and SBE Directories

MTC does not administer an SBE certification program. To be eligible for the Bid/Evaluation Preference allowed under the SBE Program, firms (prime Contractor or Subconsultant/Subcontractor/Vendor) must be certified under any of the programs outlined below:

- 1) *California Certified Small Business as certified by the California Department of General Services (DGS) -Procurement Division (PD) - Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS)*

The State of California SBE Directory can be accessed at:

<https://caleprocure.ca.gov/pages/PublicSearch/supplier-search.aspx>

- 2) *A Disadvantaged Business Enterprise (DBE) as certified by the California Unified Certification Program (CUCP)*

The CUCP Directory can be accessed at:

<https://dot.ca.gov/programs/business-and-economic-opportunity>

- 3) *City and County of San Francisco Local Business Enterprise (LBE) as certified by the Contract Monitoring Division (CMD) Directory Certification Unit*

The Directory of Certified LBEs can be accessed here:

<https://sfgov.org/cmd/directory-certified-lbes>

- 4) *Alameda County Small Local and Emerging Business (SLEB) program as certified by the Alameda County SLEB Certification Unit*

The SLEB Supplier Query System Database can be accessed at:

[https://www.acgov.org/sleb\\_query\\_app/gsa/sleb/query/slebresultlist.jsp?smEmInd=C](https://www.acgov.org/sleb_query_app/gsa/sleb/query/slebresultlist.jsp?smEmInd=C)

- 5) DVBE/LBE/LGBTBE/MBE/SBE/WBE certification from a formal certifying agency in the nine-county Bay Area, provided that the certification can be verified through a searchable database and meets the requirements of the State of California Small Business Program<sup>1</sup>. (Disadvantaged Veteran Business Enterprise (DVBE), Local Business Enterprise (LBE), Lesbian, Gay, Bisexual, Transgender Business Enterprise (LGBTBE), Minority Business Enterprise (MBE), Small Business Enterprise (SBE), Women Business Enterprise (WBE))

Note:

<sup>1</sup> Per Title 2, California Code of Regulations, § 1896.12. Eligibility for Certification as a Small Business.

To be eligible for certification as a small business, a business must meet all of the following qualifying criteria:

- (1) It is independently owned and operated; and
- (2) Its principal office is located in California; and
- (3) The officers of the business (in the case of a corporation); officers and/or managers, or in the absence of officers and/or managers, all members in the case of a limited liability company; partners in the case of a partnership; or the owner(s) in all other cases, are domiciled in California; and
- (4) It is not dominant in its field of operation(s), and
- (5) It is either:

(A) A business that, together with all affiliates, has 100 or fewer employees, and annual gross receipts of fifteen million dollars (\$15,000,000) or less as averaged for the previous three (3) tax years, as biennially adjusted by the Department in accordance with Government Code § 14837(d)(3) (If the business or its affiliate(s) has been in existence for less than three (3) tax years, then the GAR will be based upon the number of years in existence); or

(B) A manufacturer as defined herein that, together with all affiliates, has 100 or fewer employees.

#### **B.4 Record Keeping Requirements**

When a non-federally funded, non-A&E contract is awarded to a Consultant/Contractor/Vendor based on the Evaluation Preference listed in Subpart C, Section C.1 of this SBE Program, AFS will monitor the contract per Subpart D, to confirm that the Consultants/Contractors/Vendors are in compliance with the requirements of the SBE Program. AFS staff will report SBE participation to the appropriate authorizing board via reports generated from the web-based diversity tracking system.

MTC will require Consultants/Contractors/Vendors to maintain records and documents of payments to all Subconsultants/Subcontractors/Vendors (SBEs and non-SBEs) for four (4) years following the completion of the contract. MTC will perform interim reviews of contract payments to SBEs. Payments to SBE Subconsultants/Subcontractors/Vendors will be reviewed to verify that the actual amount paid to SBE Subconsultants/Subcontractors/Vendors equals or exceeds the dollar amounts stated in the schedule of SBE participation included in the contract.

#### **B.5 Public Outreach**

MTC will participate in outreach events with other San Francisco Bay Area transportation agencies and CBOs to leverage its efforts to assist SBE firms. MTC will also participate in Caltrans' CalMentor Protégé Program for small business development.

## **SUBPART C – EVALUATION PREFERENCE AND SBE PARTICIPATION**

### **C.1 Evaluation Preference**

MTC will allow an evaluation preference to be applied as a percentage discount to the total amount of a proposal/bid submitted by a Proposer/Bidder for a contract solely for the purpose of bid comparisons when determining the lowest and best bid, or lowest responsible bid. The use of an evaluation preference for Proposal, SOQ, or Bid comparison does not alter the total amount of the bid submitted by a bidder or the contract executed based on a bid. The SBE Program evaluation preference will be applied to all locally-funded solicitations when issued.

The Evaluation Preference applied as a percentage or point preference to the total evaluation percentage or points of a Proposal, SOQ, or Bid submitted by a Proposer/Bidder for a contract will be solely for the purpose of evaluation comparisons when determining the highest ranked Proposal or SOQ. The use of an Evaluation Preference for Proposal, SOQ or Bid comparison will alter the total evaluation percentage or points allotted to a Proposer/Bidder.

The Evaluation Preference will be applied to all non-federally funded solicitations. The Evaluation Preferences will be applied as follows after MTC verifies that the responsiveness requirements have been met:

- An Evaluation Preference of five percent (5%) or five (5) points will be added to the total evaluation percentage or points, when the Proposer meeting specifications commits to twenty-five percent (25%) SBE participation for the work (which can be achieved by the prime, by a sub(s), or a combination of prime and sub(s) who meet the requirements set forth in Section B.3 of this SBE Program), or
- An Evaluation Preference of 10 percent (10%) or ten (10) points will be added to the total evaluation percentage or points, when the Proposer meeting specifications commits to forty percent (40%) SBE participation for the work (which can be achieved by the prime, by a sub(s), or a combination of prime and sub(s) who meet the requirements set forth in Section B.3 of this SBE Program).

AFS staff will monitor MTC's SBE Program to confirm that the Consultants/ Contractors/Vendors are in compliance with the requirements of the SBE Program. The report of SBE awards, commitments and payments will be generated from the web-based diversity tracking system.

### **C.2 Maintaining Participation**

Once a project begins, it is important to achieve and maintain the level of SBE participation that allowed the Evaluation Preference. Prime Consultants/ Contractors/ Vendors must maintain the SBE percentages indicated in the Proposal, SOQ or Bid documents at the time of Proposal, SOQ or Bid submittal throughout the term of the contract.

If MTC modifies the original scope of work, the Consultant/Contractor/Vendor must make reasonable efforts to maintain the SBE participation that allowed the Evaluation Preference. In the event of amendments, AFS staff may use their discretion to allow adjustments to SBE percentages for the amended portion of the work. Upon request, MTC staff will help firms to determine methods of maintaining percentages.

Should the prime Consultant/Contractor/Vendor fail to maintain the SBE participation listed at the time of Proposal, SOQ or Bid submittal, MTC reserves the right to enforce Consultant/Contractor/Vendor compliance with this SBE Program through one or more of the remedies included in Section D.3 of this SBE Program.

### **C.3 Substitution of Listed Subcontractors**

Substitution of listed Subconsultants/Subcontractors/Vendors shall generally be made in accordance with Public Contracts Code Section 4107. In addition, the SBELO must concur in any decision to permit substitution of a SBE Subconsultant/Subcontractor/Vendor when the award was made on the basis of the Evaluation Preference listed in Section C.1 above.

### **C.4 Joint Venture Agreements**

A business that is competing for MTC contracts may associate with a certified SBE business to compete for contracts as a Joint Venture (JV). JVs receive an Evaluation Preference depending upon the SBE percentage of participation as set forth in Section C.1 of Subpart C, Evaluation Preference and SBE Participation. The parties must agree to enter into the relationship for at least the term of the project.

#### **Basic Elements of the Joint Venture Agreement**

A JV must submit a JV Management Plan and/or a JV Agreement in their Proposal or SOQ. Each agreement or management plan must include, but is not limited to the following:

- Detailed explanation of the financial contribution of each partner;
- List of the personnel and equipment used by each partner;
- Detailed breakdown of the responsibilities of each partner;
- Explanation of how the profits and losses will be distributed;
- Description of the bonding capacity of each partner; and
- Management or incentive fees available for any one of the partners (if any).

#### **Commercially Useful Functions (CUF) Performed by Joint Venture Partners**

Each JV partner must perform a “commercially useful function” as that term is defined herein. A SBE that relies on the resources and personnel of a non-SBE

firm will not be deemed to perform a CUF.

#### Joint Venture License Requirements

Each JV partner must possess qualifications, certifications, accreditations, or licenses appropriate for the discipline for which a Proposal, SOQ or Bid is being submitted. If a JV is proposing/bidding on a project requiring license or certification, at the time of Proposal, SOQ or Bid submittal, each of the JV partners must hold a JV License or Certification and possess the requisite specialty license or certification for that profession.

#### Delineation of Joint Venture Work

The SBE partner must clearly define the portion of the work to be performed during the project. This work must be of the similar type of work the SBE partner performs in the normal course of its business. The Proposal, SOQ or Bid must specify the portions of the project to be performed by each individual JV partner. Lump sum JV participation is not acceptable.

#### Responsibilities of the SBE Joint Venture Partners

The SBE partner must share in the ownership, control, management responsibilities, risks, and profits of the JV in proportion with level of participation in the project; the SBE partner must perform work that is commensurate with its experience. The SBE partner must use its own employees and equipment to perform its portion of the project. Only the portion of the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the SBE performs with its own forces will be counted toward SBE participation

#### Application of Evaluation Preference for Joint Venture Agreements

To be eligible for an Evaluation Preference, at the time of Proposal, SOQ or Bid submittal, each JV partner must each have the qualification, certification, accreditation, or license that is appropriate for the project as required in the contract document of the contract award authority. Unless permission is granted by the SBELO or designee for good cause shown, based on sudden and unexpected necessity, the following actions are not permitted: i) the non-SBE partner performing work for the SBE partner; ii) leasing of equipment or property by the SBE partner from the non-SBE partner; and iii) the hiring of the non-SBE partner's employees by the SBE partner.

### Other Joint Venture Conditions

The SBELO or a designee must first approve the SBE JV Agreement/ Management Plan before the JV is eligible for an Evaluation Preference. Any changes must also receive the prior approval of the SBELO or designee. In addition to any other information required by conditions specified herein, each SBE JV must provide upon request, cancelled checks and any other financial records to MTC.

### **C.5 Counting SBE Participation**

SBEs may perform as Consultants/Contractors/Vendors, 1<sup>st</sup> tier Subconsultants/Subcontractors/Vendors, or 2<sup>nd</sup> tier Subconsultants/Subcontractors/Vendors. Only the value of the work to be performed by the SBE, including materials and supplies, will be counted toward SBE participation.

A SBE must perform a commercially useful function, i.e., must be responsible for the execution of a distinct element of the work and must carry out its responsibility by actually performing, managing and supervising the work. If an SBE 1<sup>st</sup> Tier or 2<sup>nd</sup> Tier Subconsultant/Subcontractor/Vendor does not perform or exercise responsibility for at least sixty percent (60%) of the total cost of its contract with its own work force, or if the SBE subcontracts a greater portion of work of a contract than would be expected on the basis of normal industry practice, then it will be presumed that the SBE is not performing a CUF.

Credit for an SBE Dealer of materials or supplies is limited to sixty percent (60%) of the amount to be paid to the vendor for the materials or supplies unless the vendor manufactures or substantially alters the goods. Credit for SBE Brokers is limited to only the fees and commissions portion of the amount paid. All other firms receive 100% credit, less work subcontracted by the SBE to non-SBE firms.

During the term of a contract, work performed by SBE firms whose certification has expired will continue to be counted toward the SBE participation.

## **SUBPART D – COMPLIANCE AND ENFORCEMENT**

### **D.1 Monitoring**

When a contract is awarded to a Consultant/Contractor/Vendor based on the Evaluation Preference listed in Subpart C, Section C.1 of this Program, AFS will monitor the contract per Subpart D, to confirm that the Consultants/Contractors/Vendors comply with the requirements of the Program. AFS staff will report SBE participation to the appropriate authorizing board via reports generated from the web-based diversity tracking system.

MTC will require Consultants/Contractors/Vendors to maintain records and documents of payments to all Subconsultants/Subcontractors/Vendors (SBEs and non-SBEs) for four years following the performance of the contract. MTC will perform interim reviews of contract payments to SBEs. Payments to SBE Subconsultants/Subcontractors/Vendors will be reviewed to verify that the actual amount paid to SBE Subconsultants/Subcontractors/Vendors equals or exceeds the dollar amounts stated in the schedule of SBE participation included in the contract.

Subrecipients may be required to submit verification of their eligibility for participation in the SBE Program and to provide annual reports of SBE utilization on Professional Services or Civil Construction projects achieved under the SBE Program.

MTC has implemented the following monitoring mechanisms to monitor Consultant/Contractor/Vendor compliance with Program requirements:

1. The SBELO or designee will verify that work committed to SBEs at contract award is actually performed by the SBEs.
2. The SBELO or designee will keep a running tally of actual payments to SBE firms for work committed to them at the time of contract award with the use of MTC's web-based diversity tracking system.

If a Professional Services or Construction project has a public works portion of work valued over \$1,000.00, the State's Labor Code requires Consultants/Contractors/Vendors to pay their employees in accordance with general prevailing wages that apply to that portion of the work. The prime Contractor and all Subconsultants/Subcontractors/Vendors including, if applicable, truckers and owner/operators are required to submit certified payroll records in accordance with Labor Code section 1776 upon request from MTC. Failure to submit certified payroll records could result in withholding of progress payment(s).

Upon request, Consultants/Contractors/Vendors will provide MTC with executed copies of its Subconsultant/Subcontractor/Vendor agreements to verify dollar amounts stated for all SBEs.

## **D.2 SBE Utilization Report**

Consultants/Contractors/Vendors are required to submit monthly SBE Utilization Reports electronically to MTC AFS. The Consultant/Contractor/Vendor will document the dollar value of payments to SBE firms and the percentage of the contract completed. MTC will monitor the contract for compliance with SBE requirements.

This system is web-based, accessible from any computer via the internet. Each Consultant/Contractor/Vendor and Subconsultant/Subcontractor/Vendor will receive an email providing them with Log On identification, a temporary password and instructions on how to use the system. Training will also be provided upon request. Consultant/Contractor/Vendor will include this requirement in all of its subcontracts and purchase orders when required to provide or verify SBE utilization documentation.

If the SBE Utilization Reports indicate potential problems, such as a failure to comply with the contract SBE participation, the Consultant/Contractor/Vendor shall meet with the MTC SBELO or designee to address any deficiencies and discuss appropriate corrective actions. When the Contract completion reaches 50% and the SBE participation completed is less than 50%, a detailed report of the reasons why must be submitted to MTC stating a plan to reach the SBE participation by Contract completion.

Prior to final payment, Consultant/Contractor/Vendor will be required to submit a final SBE Utilization Report by selecting the "Final Audit" reporting designation within the web-based diversity tracking system. In addition to payments to the SBEs, the final report must include payments to and other information about all other businesses, including non-SBE Subconsultants/Subcontractors/Vendors, suppliers of materials and others.

## **D.3 SBE Program Enforcement**

MTC has available several remedies to enforce compliance of the SBE Program requirements contained in its contracts, including, but not limited to, the following:

1. Breach of contract action, resulting from a violation of the terms of the RFP, RFQ or IFB and contract.
2. Assessment of a penalty of up to one and one half times the amount that should have been awarded to SBE(s).
3. Termination of Contractor's performance of work under the contract.
4. Any other remedy available to MTC in the contract or the relevant RFP, RFQ or IFB.



# Presentation on the MTC Small Business Enterprise (SBE) Program

1

# MTC Small Business Enterprise (SBE) Program

## Program Objectives

- ❖ To increase the number of certified SBEs participating in non-federally funded, non-A&E contracts;
- ❖ To increase overall competition on non-federally funded, non-A&E contracts potentially allowing for the completion of projects at a lower overall cost;
- ❖ To create a level playing field on which SBEs can compete fairly on non-federally funded contracts;
- ❖ To ensure that only SBE firms (prime Consultant/Contractor or Subconsultant/Subcontractor/Vendor) meeting the Program's eligibility requirements are eligible for the Evaluation Preference allowed under the Program;
- ❖ To help remove barriers to the participation of SBEs in non-federally funded contracts; and
- ❖ To identify business enterprises that are qualified as SBE's and are qualified to provide MTC with required materials, equipment, supplies and services.

# MTC Small Business Enterprise (SBE) Program

- ❖ The Program sets forth the policies and procedures to be implemented by MTC to ensure that small businesses have the maximum opportunity to participate in non-federally funded and non-Architectural & Engineering (A&E) materials, equipment, supplies, services and construction contracts.
- ❖ Increases opportunity for SBEs to participate in contracts by broadening the acceptable certifications allowed in the program to remove bureaucratic certification barriers
- ❖ Provides a two-tiered Bid/Evaluation Preference
- ❖ Allows SBE participation levels to be met by prime SBEs, subconsultant SBEs or a combination of the two

# MTC Small Business Enterprise (SBE) Program

4

## MTC SBE Program

### ***Applicable to:***

The Program applies to non-federally funded, non-Architectural & Engineering (A&E) materials, equipment, supplies, services and construction contracts with a budget in excess of \$25,000

### ***Acceptable Certifications:***

State of California Department of General Services (DGS) SBE Program, California United Certification Program DBE certification, *City and County of San Francisco Local Business Enterprise (LBE) as certified by the Contract Monitoring Division (CMD) Directory Certification Unit, Alameda County Small Local and Emerging Business (SLEB) program as certified by the Alameda County SLEB Certification Unit; as well as any DVBE/LBE/LGBTBE/MBE/SBE/WBE certification from a formal certifying agency in the nine-county Bay Area, provided that the certification can be verified through a searchable database and meets the requirements of the State of California Small Business Program*

### ***Bid/Evaluation Preference:***

#### **Two-tiered:**

An Evaluation Preference of **five percent (5%) or five (5) points** will be applied to the total evaluation when the Proposer meeting specifications commits to **twenty-five percent (25%)** SBE participation for the work  
An Evaluation Preference of **ten percent (10%) or ten (10) points** will be applied to the total evaluation when the Proposer meeting specifications commits to **forty percent (40%)** SBE participation for the work

# Statistics since April 1, 2020

## **30 Procurements have been issued since April 1, 2020**

- ❖9 were federally funded
- ❖12 were issued with the SBE Program
- ❖9 were either A&E, ABAG, or a mini-procurement off a bench that did not yet have the SBE Program applied
- ❖11 Contracts have been issued since April 1, 2020 with the SBE preference being applied

## Recommended Action:

Instruct staff to develop the SBE Program documentation and resolution to be presented to the Finance Committee and Executive Board to seek approval and adoption of the program.

# Questions?