

# Association of Bay Area Governments

## General Assembly

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June 17, 2022

Agenda Item 7.a.

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### Proposed FY 2022-23 Operating Budget and Work Program

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#### Subject:

Adoption of Resolution 08-2022 approving the Proposed Fiscal Year (FY) 2022-23 Association of Bay Area Governments (ABAG) Operating Budget and Work Program

#### Background:

According to Article XI.B of the ABAG Bylaws, at least 45 days prior to the annual meeting of the General Assembly, the Executive Director submits to the Executive Board a proposed budget and work program, including annual membership fee and assessment schedules, summary of revenue and expense, actual or projected, for the preceding, current, and next fiscal years.

The Executive Board reviews the proposed budget and summary work program, amending as necessary, and submits them to the General Assembly for review and adoption.

The Executive Board monitors the execution of the budget and work program, and the Executive Director manages all expenses, subject to the control of the Executive Board.

At its meeting on April 21, 2022, the ABAG Executive Board received a report from the ABAG Finance Committee on the proposed Budget and Work Program for Fiscal Year 2022-23. The ABAG Executive Board recommended ABAG General Assembly adoption of Resolution No. 08-2022.

The proposed ABAG Work Program for FY 2022-23 includes a summary description of all the programs and projects conducted by ABAG, including highlights of work completed in FY 2021-2022 and plans for FY 2022-2023. The proposed ABAG Budget for FY 2022-23 includes allocation of revenue and expenses for all ABAG operating funds. The operating funds include, ABAG Administration, ABAG Bay Area Regional Energy Network (BayREN), ABAG San Francisco Estuary Partnership (SFEP) and the San Francisco Bay Trail.

Pursuant to the Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC), effective July 1, 2017, staff consolidated, and all employees are considered MTC staff. Therefore, Cost of Living Adjustments (COLA), employee benefits, new position requests, etc., will be considered and approved by the MTC governing body. The Proposed FY 2022-23 ABAG Operating budget includes a 2.8% COLA, which is in line with the current Memorandum of Understanding that expires on June 30, 2022. The MTC Board will consider a proposed 4.2% COLA and one time bonus for FY 2022-23 on June 22, 2022. Staff will make adjustments to the FY 2022-23 budget within the authority of the Executive Director and Chief Financial Officer to incorporate adjustments approved by the MTC board, that impact the ABAG budget. The proposed Agency Budgets for FY 2022-23 are balanced.

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The FY 2022-23 ABAG Finance Authority for Nonprofit Corporations (FAN) and ABAG POWER Publicly Owned Energy Resources (POWER) operating budgets were presented separately to their respective governing boards.

The ABAG revenue budget is \$44.8 million, which is an overall projected increase of \$4.8 million in comparison to FY 2021-22. Summarized revenue details include:

	FY 2021-22 (millions)	FY 2022-23 (millions)
Revenue		
Administration	\$ 3.1	\$ 3.2
BayREN-Energy	23.9	26.4
SFEP	12.8	14.9
Bay Trail Non-Profit	0.2	0.3
Total	\$ 40.0	\$ 44.8

The increase is primarily due to grant funding from the California Public Utilities Commission (CPUC) for the BayREN program. SFEP received additional funding from the Bay Area Toll Authority (BATA) for contract services provided to complete the construction and plant establishment period for four stormwater retrofit projects in various cities along San Pablo Avenue in the East Bay.

There are several highlights to the ABAG budget, including:

- Pension prepayment for the Unfunded Accrued Liability (UAL) results in a savings of \$60,000
- ABAG has fully funded its Other Post-Employment Benefits (OPEB) liability. Therefore, ABAG has an OPEB asset
- ABAG receives full reimbursement from the California Employers' Retiree Benefit Trust (CERBT) for retiree medical expenses
- ABAG grant funded programs exceed \$100 million in life-to-date funding
- Nearly 90% of all grant funding goes directly to regional projects
- The \$24 million Regional Early Action Planning (REAP) grant awarded in FY 2019-20 still has a balance of \$20 million for programming in FY 2022-23

ABAG will still face issues with increasing costs, particularly pension obligations, which will have to be addressed as we work to improve long-term financial stability.

### ABAG Administration

The recommended ABAG Administration Budget for FY 2022-23 is \$3.6 million, including transfers. The proposed budget is balanced, but not without a transfer from program revenue funds. The principal source of revenue is membership dues which will increase to \$2.6 million, up 6% from FY 2021-22. The detailed membership dues schedule is attached. (Attachment B).

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ABAG Administration covers all administrative expenses and operating programs, including pension and OPEB expenses. While the ABAG BayREN and SFEP programs are grant funded and relatively self-funded, ABAG Administration is dependent on membership dues. Unfortunately, even with the proposed increase in membership dues, it will not cover total expenses without a transfer from fund balance:

	Revenue (thousands \$)	Expense (thousands \$)	Transfers (thousands \$)
<b>Total</b>	<b>\$ 3,180</b>	<b>\$ 3,332</b>	<b>\$ 185</b>
Membership Dues	2,592		
OPEB Reimbursement	587		
PERS		1,744	
OPEB		587	
BEALE Assessment		98	
Audit		174	
Insurance		232	
Other		497	
Bay Area Regional Collaborative (BARC)			185

Revenue falls short of total operating obligations. This shortfall will be covered with approximately \$372,000 in transfers from ABAG overhead revenue funds (BayREN and SFEP). Transferring overhead from grant programs is allowed for administrative expenses but can be an unreliable source of income for financial stability and planning purposes.

While the FY 2022-23 proposed budget is balanced through interfund transfers, the long-term implications of the funding shortfall is cause for concern. As costs increase and the primary source of revenue -- membership dues -- is limited, the potential for deficits in the future is likely. ABAG should consider financial alternatives that might improve long-range financial stability:

- Restructure dues to be certain all core operating cost and Memorandum of Understanding (MOU) agreements (the Metropolitan Transportation Commission (MTC) and BARC) are funded. This will also ensure that operating and legal reserves are established and maintained
- Pursue other new revenue sources

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When new programs are developed that include new funding sources, such as new grants tied to the enhanced housing initiative, we should consider supplementing the administrative revenue base.

#### Grant Administration

The administrative fund has nearly \$27 million in active grants. The grants include (in thousands):

	<b>Award</b>	<b>Balance</b>
U.S. Environmental Protection Agency (EPA)	\$600	\$101
Regional Early Action Planning (REAP)	24,000	20,232
Coastal Conservancy	<u>2,400</u>	<u>1,113</u>
Total	\$27,000	\$21,446

The REAP grant allocates funding to MTC for staffing costs; the balance is available for programming in FY 2022-23. There are two grants, the EPA and one Coastal Conservancy grant that will expire in FY 2022-23 so staff will have to monitor the spending to utilize the entire grant before it expires.

#### BayRen-Energy

The Bay Area Regional Energy Network (BayREN) facilitates energy efficiency projects to residents and communities throughout the San Francisco Bay Area Region. BayRen is generally a grant funded program with major funding through the California Public Utilities Commission (CPUC).

The recommended FY 2022-23 BayREN budget is \$26.4 million. There is an increase in grant funding from \$23.9 million to \$26.4 million from FY 2021-22 to FY 2022-23, respectively. Highlights include:

- Staffing and overhead costs are approximately 7% of total revenue and include two new full-time project-based time limited positions. The two new positions are funded by grants. Additional COLA and one-time bonus adjustments will be incorporated into the final ABAG FY 2022-23 budget after MTC board approval on June 22, 2022.
- Direct incentives are approximately 42% of revenue
- Consultant and professional fees are 50% of revenue
- The fund will make an overhead transfer of \$165,000 to support ABAG Administration

Approximately 73% of all program grant revenue will go directly to project expenditures. The proposed budget is balanced.

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##### San Francisco Estuary Partnership (SFEP)

The SFEP was created as part of a national program to protect, enhance, and restore the San Francisco Estuary. SFEP is funded through a series of grants, primarily through the California Department of Water Resources (DWR).

The proposed budget for FY 2022-23 is \$14.8 million and balanced as presented. The budget is an increase of \$2 million from the FY 2021-22 primarily due to project funding from BATA. A complete listing of awarded grants is attached and summarized below (in thousands):

	<b>Awarded</b>	<b>Additional FY 2022</b>	<b>Balance</b>
EPA	\$ 9,238	\$ 750	\$ 1,929
DWR	53,511	0	30,477
Other	5,582	0	1,325

The estimated grant balance outstanding through FY 2022-23 and beyond is in excess of \$33 million.

The SFEP program highlights include (in thousands):

- \$1,000 for passthrough project funding
- \$3,000 for staffing and overhead
- Transfer of \$400 from MTC overhead to support:
  - \$200 to support ABAG Administration.
  - \$200 to support the SFEP Conference

Overall, SFEP will commit approximately 75% of program funding directly to project expenses. While the budget is balanced as presented, the program still requires a slight transfer from MTC to meet overhead costs not included in previous grants. We expect this subsidy to phase out as the grants are spent down and completed.

##### San Francisco Bay Trail Non-Profit

The San Francisco Bay Trail is a non-profit corporation that receives grants and donations as part of a larger Bay Trail program. The fund received a donation of \$166,000, the majority of which will be spent on a study during FY 2021-22. The total FY 2022-23 projected revenue budget will be \$253,006, which will be funded by a combination of the donation and other funding sources.

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#### Resolution 08-2022

Staff is requesting approval of ABAG Resolution No. 08-2022 authorizing the FY 2022-23 Operating Budget and Work Program for ABAG and all affiliated funds and entities. Resolution No. 08-2022 includes authorization to administer the budget following approval by the General Assembly. The authorization includes:

- Authorization to carryover and re-budget all grants properly approved and budgeted in previous budgets.
- Authorization to carryover and re-budget all contracts and expenses properly approved and budgeted in previous budgets.
- Authorization for the Executive Board to approve all contracts and expenses incorporated in the adopted FY 2022-23 budget.
- Authorization for the Executive Board to amend the adopted budget for any new and additional revenue sources, including appropriate additional expenses.
- Authorization for the Executive Director to approve all contracts \$200,000 and below, provided the funds are available and included in the adopted budget.
- Authorization for the Chief Financial Officer to correct any obvious errors in the drafting, presentation, and publishing of the adopted budget.

#### **Recommended Action:**

The ABAG General Assembly is requested to adopt ABAG Resolution No. 08-2022 approving the Proposed Fiscal Year (FY) 2022-23 Association of Bay Area Governments (ABAG) Operating Budget and Work Program.

#### **Attachments:**

- A. Proposed FY 2022-23 Operating Budget
- B. Proposed FY 2022-23 Membership Dues
- C. Resolution No. 08-2022
- D. Proposed FY 2022-23 Budget and Work Program
- E. Presentation: Proposed FY 2022-23 ABAG Operating Budget

#### **Reviewed**



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