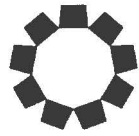


ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

Date: March 14, 2019

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Proposed Budget and Work Program for Fiscal Year 2019-20**

Executive Summary

Attached is the proposed Fiscal Year 2019-20 budget for the Association of Bay Area Governments (ABAG). The proposed budget detail includes:

- ABAG Administration
- Bay Area Regional Energy Network (BayRen)
- San Francisco Estuary Partnership (SFEP)

The attached schedules detail the allocations of revenue and expense for ABAG and its operating special revenue programs.

ABAG Administration

The proposed ABAG budget is balanced with a slight surplus. The basis for the budget includes the following assumptions:

- Membership dues continue the county surcharge approved for FY 2018-19.
- Expenses increase by \$590,000 (19%) mainly resulting from scheduled PERS amortization.
- ABAG Finance Authority for Nonprofit Corporations (ABAG FAN) transfer of \$1 million to offset the remaining OPEB liability.
- Refund of \$600,000 in retirees medical costs from the PERS medical trust.
- Transfer of \$530,000 from the county membership surcharge to the Metropolitan Transportation Commission (MTC) to support ongoing costs of staff consolidation.

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- Contract budget includes:

BARC contribution	\$ 100,000
Economic Institute	\$ 60,000
Lobbyist	\$ 40,000
Total Budget	<u>\$200,000</u>

The transfer from ABAG FAN will be used to retire the remaining OPEB cost. Until actuarial assumptions change, ABAG should be able to offset all future retiree medical costs from the retiree medical trust.

The last remaining financial constraint on ABAG will be the unfunded PERS liability. The current unfunded liability for FY 2018-19 is estimated at \$14.4 million. Depending on the amortization period the total payments will be approximately \$25 million, or approximately \$10 million in additional interest costs. Without change this will tie up most of the ABAG assets for at least the next 15 years.

ABAG as an operating authority has a negative "Net Position" of \$4.5 million. The negative is primarily the result of the \$18 million in pension and OPEB liabilities carried on the books. While serious, a negative net position does not necessarily mean financial distress. On a current asset to liability test ABAG does well:

Current Assets:

Cash	\$ 5.5 million
Investments	\$ 2.2 million
Other Assets	\$ 7.6 million
Total	<u>\$15.3 million</u>

Current Liabilities:

	<u>\$ 10.4 million</u>
Net Current Assets	\$ 4.9 million
Restricted Cash	(\$ 2.8 million)
Unrestricted	<u>\$ 2.1 million</u>

Even after controlling for restricted cash advances, ABAG still has an unrestricted current cash balance of \$2.1 million, nearly 56% of the operating budget.

The budget recommendation for FY 2019-20 includes a continuation of the county surcharge approved as part of the FY 2018-19 budget. In accordance with the contract for services ABAG will use its "best efforts" to develop and adopt new revenue sources to help offset the approximately \$2.0 – \$2.5 million in added costs absorbed by MTC as part of the staff consolidation.

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ABAG took two specific actions to support the “best efforts” approach. First was the development of Advancing California Financing Authority (ACFA) as a successor agency to ABAG FAN with the intent to develop a new revenue stream to support ABAG programs. The second action was to convert the county membership dues calculation from a declining step rate to a flat rate of \$.19 per capita (\$.20 adjusted in the FY 2019-20 budget).

ACFA was established during FY 2018-19 and the county formula change produced a \$530,000 increase that was budgeted to transfer to MTC. ACFA is actively seeking out financing structures and has several potential projects that may generate revenue in FY 2019-20 but so far ACFA has not produced any revenue. As such, we respectfully request the counties continue with the current rate structure and continue the budgeted transfer to support MTC operations.

We propose to reevaluate both ACFA and the rate structure at the mid-year meeting. We will have an updated projection of ACFA projects as well as options on the existing rate structure.

BayRen – Energy

BayRen is a collaboration of the nine Bay Area counties led by ABAG to provide energy efficiency programs. BayRen is funded primarily through the California Public Utilities Commission (CPUC) grants programmed to provide energy efficient retrofits on single and multi-family units as well as commercial buildings. The grants are budgeted on a life-to-date basis.

Prior Years (LTD)	\$ 59.2 million
FY 2019-20 request	\$ 13.5 million
Total grant revenue	\$ 72.7 million
Life-to-Date expenses	(\$ 27.3 million)
Remaining Balance	\$ 45.4 million
Encumbered	(\$ 12.6 million)
Unencumbered balance	\$ 32.8 million

The prior year total is \$59.2 million and staff is estimating another \$13.5 million for FY 2019-20 for a life-to-date total grant program of \$72.7 million. After life-to-date expenses and encumbrances, BayRen is projected to have an unencumbered balance of nearly \$32.8 million to program in FY 2019-20.

San Francisco Estuary Partnership (SFEP)

The SFEP was established in 1988 under the Clean Water Act National Estuary Program. SFEP receives funding through grants issued primarily through the Environmental Protection Agency (EPA) and California Department of Water Resources (DWR). Grants and expenses related to the grants are budgeted on a life-to-date basis.

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Prior years (LTD)	\$ 44.2 million
FY 2019-20 Request	\$ 33.2 million
Total grant revenue	\$ 77.4 million
Prior expenses	(\$ 10.7 million)
Remaining Balance	\$ 66.7 million
Encumbered	(\$ 20.4 million)
Unencumbered Balance	\$ 46.3 million

SFEP will have a total of \$46.3 million to program into FY 2019-20.

There is a second program to budget for FY 2019-20 and is related to managing estuary conferences and programs. The main source of revenue for this program is fees and sponsorships to support the Estuary newsletter and state of the estuary conference.

	Budget FY 2018-19	Budget FY 2019-20	Change
Revenue	\$ 618,000	\$ 711,000	\$ 93,000
Expense	\$ 614,000	\$ 329,000	(\$ 285,000)
Ending Balance/ (deficit)	\$ 4,000	\$ 382,000	\$ 378,000

The large swings are not uncommon given it can take 18 months to plan and deliver a major conference.

Recommended Action

The ABAG Finance Committee and the ABAG Executive Board are requested to recommend ABAG General Assembly adoption of the proposed ABAG Budget and Work Program for Fiscal Year 2019-20 and to authorize staff to move expenses between categories during the fiscal year provided that the overall budget is not exceeded at any time without the prior approval of the ABAG Executive Board.


Therese W. McMillan

Attachment

Proposed Operating Budget
Draft FY 2019-20 Budget and Work Program