



Association of Bay Area Governments

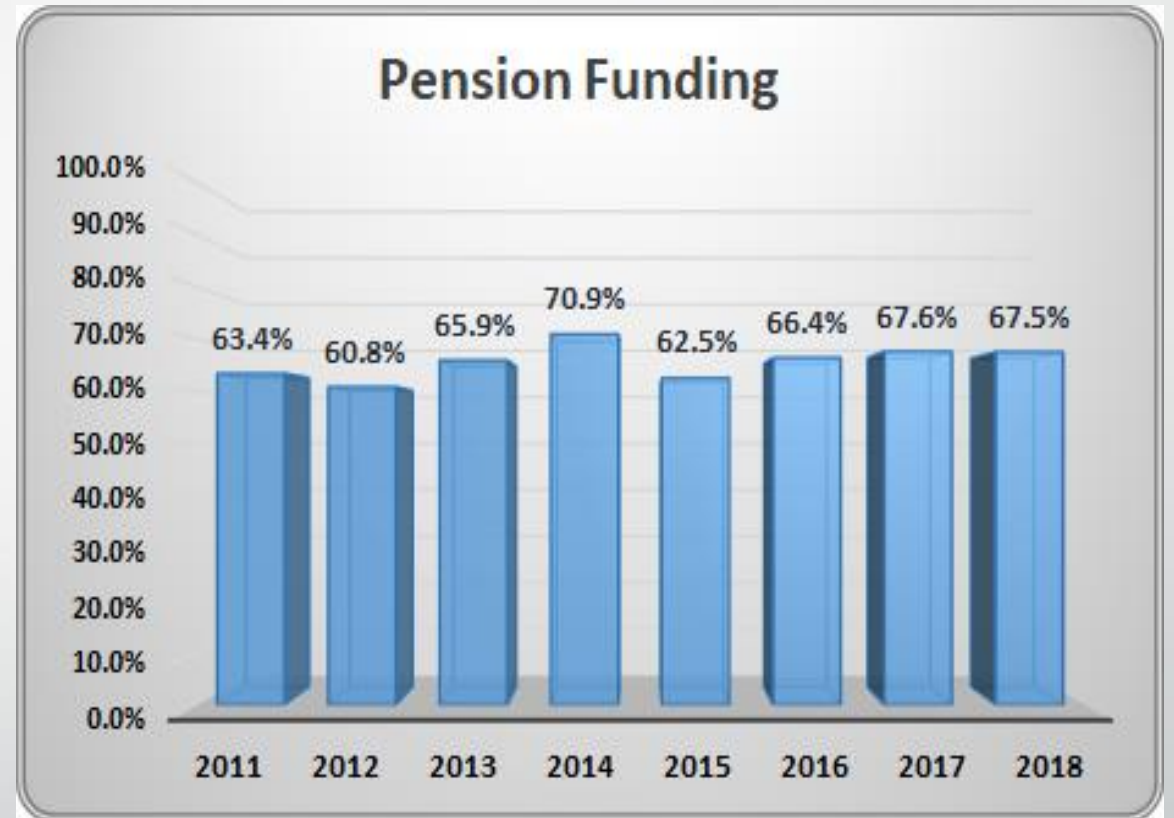
2020/21 Budget Briefing
ABAG Finance & Executive Committees
April 16, 2020

Financial Summary

- **ABAG financial condition continues to improve**
 - Unfunded OPEB liability is retired
 - PERS obligations should continue to decline
 - BayRen grants continue to grow
 - Estuary Partnership is nearly self-supporting
 - ABAG cash flow is positive
- **FY 2020-21 Draft Budget**
 - Budget is balanced as presented
 - Main revenue source is still grants
 - Membership Dues up 2.2%
 - Past County surcharge now spread to all members under revised formula

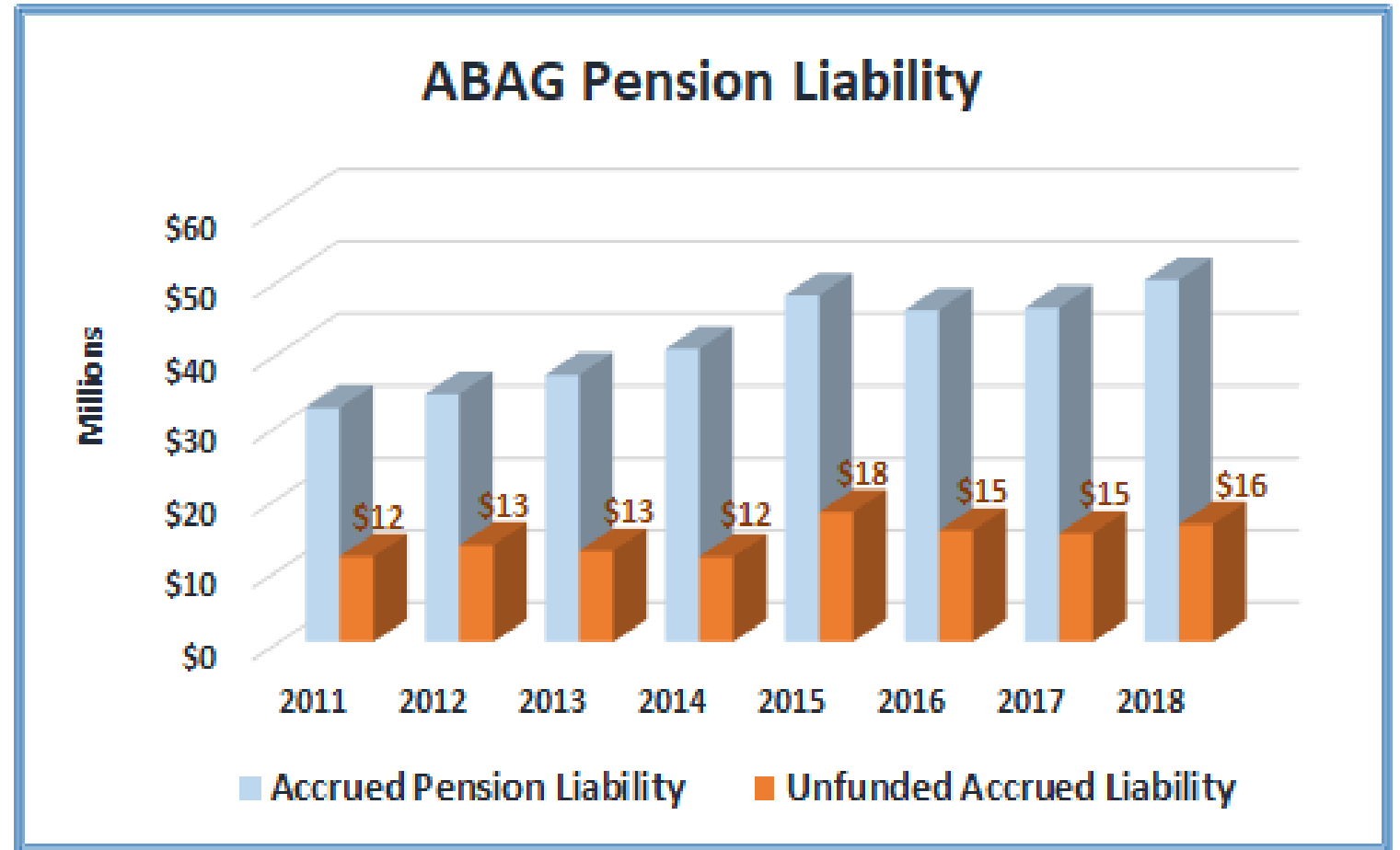
Pension- PERS

- ABAG is part of a PERS agency pool that combines liabilities for small agencies (under 100 employees)
- Actuarial analysis runs two years behind so the true impact of the consolidation may not yet be evident
- Funding levels are tied to the entire pool not a single agency
- Difficult to achieve full funding when pool is not fully funded
- PERS is working on an actuarial model that will help pool agencies evaluate and plan options to achieve full funding



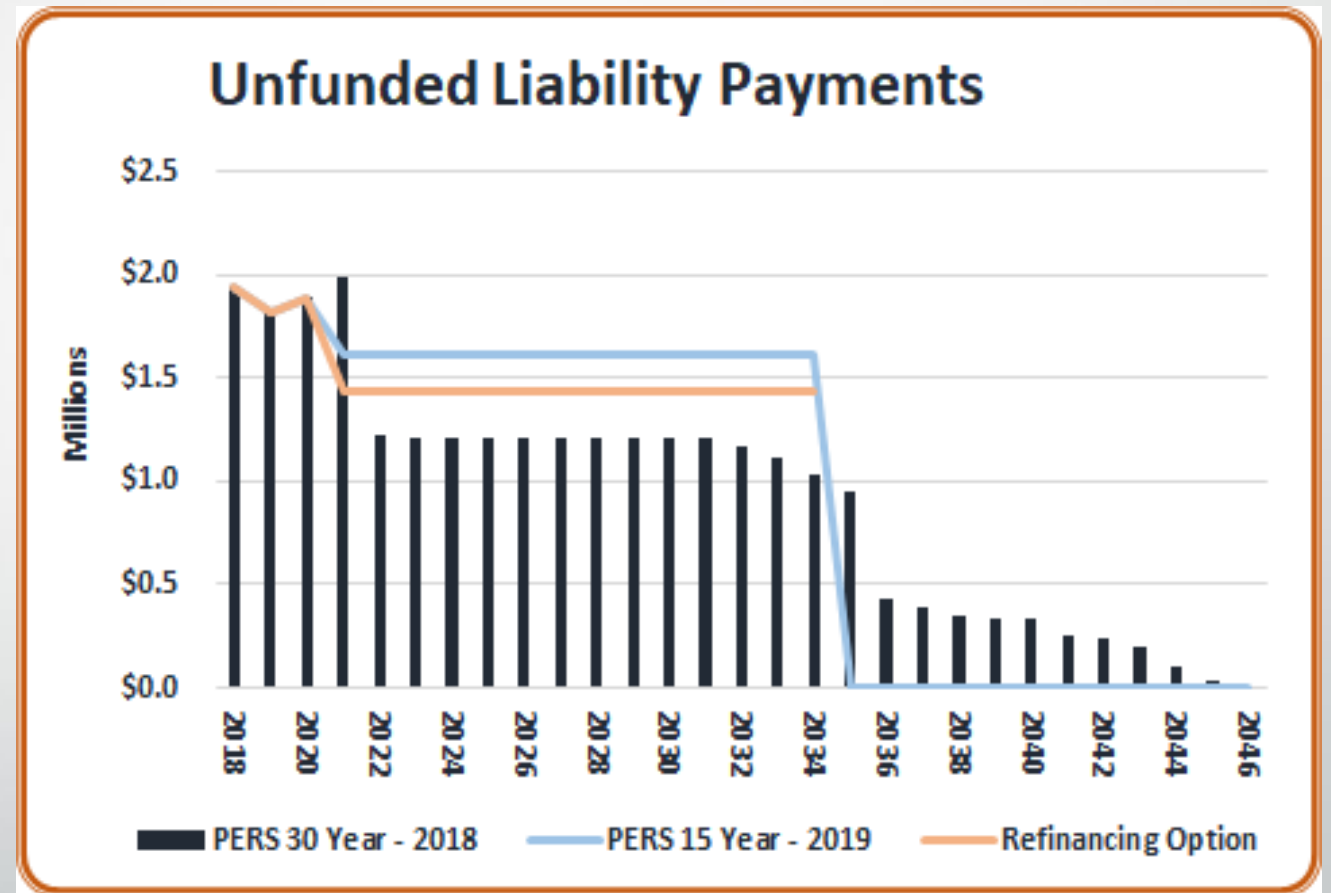
Pension- PERS Liability

- Since 2011 the accrued PERS liability and the unfunded liability have increased substantially
 - Accrued PERS liability up 55%
 - Unfunded Accrued Liability increased 33%
- ABAG is now in "run-out" mode - no new employees
- The total liability and UAL should stop increasing



Pension- PERS

- **Current PERS amortization would repay unfunded liability by FY2035**
 - Reduced from 2046
 - Annual payment now fixed \$1.6 million
 - Total payments \$28 million
 - Interest cost \$12 million
- **Given current low rates ABAG might consider financing alternatives**
 - Problem – There is still the problem of the liability pool so any alternative solution may not be permanent
 - Advantage - The liability should not increase - there will be no new retirees added
- **A market-based refinancing could save \$150,000 annually**
 - Over \$2 million during the next 15 years



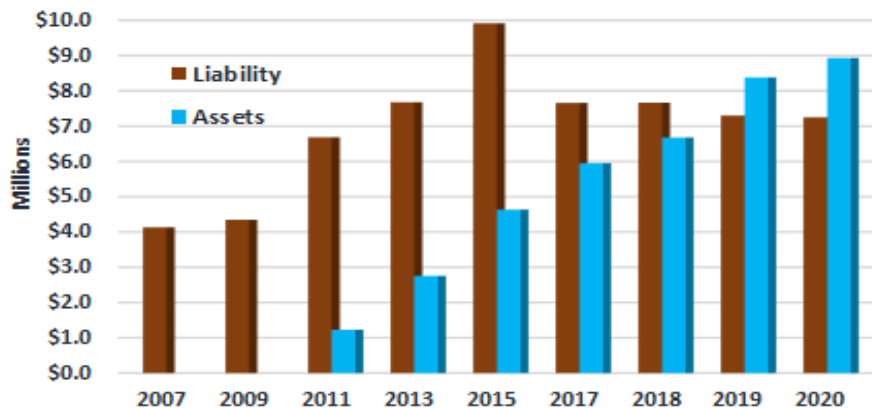
OPEB Obligation

- Unlike PERS - The final OPEB unfunded liability payment was made in FY 2020
 - Initial actuarial analysis
 - Liability is fully retired
 - Trust may now be slight asset
- ABAG should be able to reimburse all future retiree medical payments from the funds accumulated in the PERS 115 Trust account

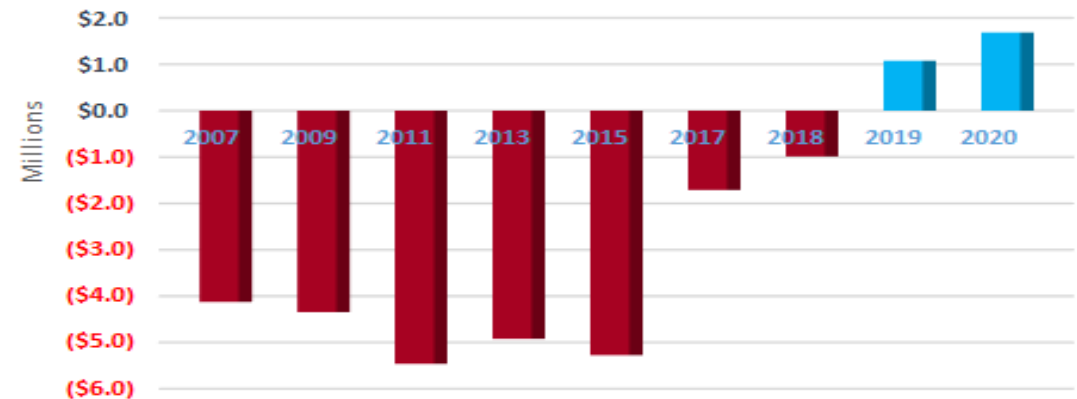
OPEB Funding Level



OPEB Asset/Liability Funding



Unfunded OPEB Liability



Operating Budget

- Total draft budget is \$83.4 million
 - Administration reflects continuation of State Regional Early Action Plan (REAP) funding approved at mid-year
 - Reduction in overall revenue reflects timing and amounts of continuing grants
 - Expense and transfer budget is \$67.7 million
 - Remaining balance - \$15.7 million
 - Balance represents funding not yet committed to a project

	FY 2019-20	FY 2020-21	
	(Millions \$)	(Millions \$)	
Revenue			
ABAG Administration	\$27.3	\$23.7	
BayREN -Energy	32.9	23.5	
Estuary Partnership	<u>47.0</u>	<u>36.1</u>	
Total Revenue	\$107.2	\$83.4	-22%
Expenses & Transfers			
Staff (MTC)	\$4.3	\$4.4	
ABAG Administration	27.0	24.1	
BayREN-Energy	25.8	21.6	
Estuary Partnership	<u>17.2</u>	<u>17.6</u>	
Total Expenses & Transfers	\$74.3	\$67.7	-8.9%
Budget Balance /(Deficit)	\$32.9	\$15.7	

ABAG Administration

ABAG Administration budget is balanced

- Major revenue source is the balance of the REAP grant carried over from FY 2019-20
- Major expense will be contractual services and local grants to support REAP funding
- Dues scheduled to increase 2.2%
- Pension costs
 - PERS still increasing
 - OPEB liability paid
- Retiree medical payments will now be fully reimbursed from PERS 115 Trust

ABAG Administration	FY 2019-20	FY 2020-21	
	(Millions \$)	(Millions \$)	
Revenue			
Membership Dues	\$2.90	\$2.95	2.2%
REAP Grant	23.70	20.25	
Other	<u>1.66</u>	<u>.58</u>	
Total Revenue	\$28.26	\$23.78	
Expenses & Transfers			
OPEB – Retiree Medical	\$.61	\$.55	
PERS	2.03	1.68	
Contract Services	20.25	20.25	
Transfer (MTC - REAP)	3.98	---	
Other	1.10	1.32	
Total Expenses & Transfers	\$27.96	\$23.80	
Budget Balance /(Deficit)*	\$.30	\$.03	

*Excluding Depreciation

BayREN - Energy

- Main source of revenue is grants for energy retrofit projects from the California Public Utilities Commission (CPUC)
- The energy retrofit grant for FY 2020-21 is expected to be \$23.2 million
- Most of the expenses are for incentive payments and passthrough contributions to other agencies (75%)
- Staff charges are proposed to increase nearly 20% due to scheduled salary and benefit increases and additional staff support

BayREN-Energy	FY 2019-20	FY 2020-21
	(Millions \$)	(Millions \$)
Revenue		
CPUC Grant	\$32.40	\$23.21
Other Grants	.45	.25
Other	---	---
Total Revenue	\$32.85	\$23.46
Expenses & Transfers		
Consultant	\$7.30	\$4.30
Incentives	10.10	9.50
Passthrough Contributions	8.30	7.70
Staff (MTC Transfer)	1.01	1.20
Other	.10	.20
Total Expenses & Transfers	\$26.81	\$22.90
Budget Balance /(Deficit)	\$6.04	\$.60

San Francisco Estuary Partnership

- SFEP will add approximately \$35.7 million to their active grant program
- With the FY 2020-21 addition the life-to-date grant revenue will exceed \$84 million with \$32 million still active through FY 2020-21
- Passthrough contributions make up the bulk of the budget - 85%
- Staff costs will decrease slightly but should not impact project delivery

SFEP	FY 2019-20	FY 2020-21
	(Millions \$)	(Millions \$)
Revenue		
Grant Revenue	\$46.30	\$35.70
Other Grants	---	---
Other	.10	.10
Total Revenue	\$46.40	\$35.80
Expenses & Transfers		
Consultant	\$.70	\$.50
Passthrough Contributions	16.20	16.70
Staff (MTC Transfer)	3.20	3.00
Other	---	.10
Total Expenses & Transfers	\$20.10	\$20.30
Budget Balance /(Deficit)	\$26.10	\$15.30

Membership Dues -

The recommended membership dues for FY 2020-21 is \$2.9 million

- The FY 2020-21 dues were calculated adding the annual change in CPI + population (2.2%)
- The FY 2020 dues included a supplemental assessment of \$535,000 agreed to by the county members in FY 2018 & FY 2019
- Starting in FY 2021 the total \$2.95 million membership dues structure is distributed among all member agencies
- The revised membership dues remain at \$2.95 million and will cover all ABAG pension obligations and continued MTC support

	Budget 2019-20	Estimate FY 2020-21	Adjustment	Revised Fee
			\$537,240	
County	\$1,517,009	\$1,550,988	(\$268,620)	\$1,282,368
City	<u>1,365,866</u>	<u>1,393,460</u>	<u>268,620</u>	<u>1,665,080</u>
Total	\$2,882,875	\$2,947,448	--	\$2,947,448

Supplemental Assessment

In FY 2019 the county members agreed to a supplemental assessment of \$535,000

- FY 2018-19 the county members agreed to add a supplemental assessment to their annual dues
- The counties agreed to extend the assessment one additional year for the FY 2019-20 budget
- Starting FY 2020-21 the supplemental assessment was to be assessed to all member agencies
- The assessment was to help offset the additional expenses incurred and maintained by MTC in the staffing consolidation

• Ongoing MTC Support

- Increase of \$3.75 million in salary and benefit costs
- Unfunded OPEB liability for active employees
- Overhead support for grant funded programs - \$1 million annually
- Cash flow advance of \$8 million
- Water retrofit program loan of \$2 million