

## Association of Bay Area Governments

### Finance Committee

September 16, 2021

Agenda Item 6.a.

### Financial Statements

**Subject:** Report on ABAG Financial Statements for period ended June 30, 2021 (Unaudited)

**Background:** Attached are the Association of Bay Area Governments (ABAG) financial statements as of June 30, 2021.

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

#### Overall Summary

As of June 30, 2021, the combined ABAG financial report show a year-end operating deficit of \$2,024,637. Major factors for the deficit include year-end accounting entries for pension costs and additional revenue still to be posted as part of the year-end closing process. The following are the highlights of the financial report for Administration, BayREN-Energy, and SFEP.

#### ABAG Administration

The Administration Program is reporting a deficit of \$1.8 million. Total revenue reported is approximately \$2.5 million. Total expenses, including depreciation are \$4.3 million.

Total revenue is \$2.5 million of which membership dues make up 90%. There are year-end revenue adjustments that are not yet posted but will be included in the final audit report (thousands):

Membership Dues and Other	\$2,456
Transfer In	\$250
Total Adjusted	\$2,706

The revised revenue will be \$3.2 million when the OPEB reimbursement and transfer are recorded.

The total expense of \$4.3 million includes depreciation and some accounting entries for year-end. Non-expense, accounting entries include (thousands):

## Association of Bay Area Governments

### Finance Committee

September 16, 2021

Agenda Item 6.a.

#### Financial Statements

GASB pension adjustment	\$616
Depreciation expense	\$332

After year-end accounting expense adjustments, total operating expense is reduced to \$3.3 million.

The “adjusted” program deficit for FY 2021 will be reduced from \$1.8 million to approximately \$600,000. The deficit compares favorably to the budgeted deficit for FY 2021 of nearly \$1.0 million.

The following are the highlights for the major expenses in the Administration program:

- Retirement benefit payment is \$1,567,777 which was paid up front gaining a discount of approximately \$50,000.
- Retiree medical payment which will be offset by PERS reimbursement is \$426,095.
- Beale assessment payment is \$359,000.
- IT related expense is \$130,290.
- Transfer to MTC for administrative support is \$530,000.
- Depreciation expense is \$332,373.

Although the financial data is bound to change with the final close and audit process, based on the perimetry information, the Admin Program is not generating sufficient revenue to cover its major expenses listed above.

Staff will be proposing a few options to eliminate future deficits and bring the program to a more stable financial platform:

- Refinance the pension liability and amortize it for 15 years. This can lower the annual pension payment by approximately \$500,000.
- Net the annual MTC transfer for administrative support. MTC is reimbursed approximately \$1.4 million in overhead charges from ABAG and its affiliated entities.

## Association of Bay Area Governments

### Finance Committee

---

September 16, 2021

Agenda Item 6.a.

---

#### Financial Statements

---

- Reconsider the ownership of the 375 Beal Condominium space to MTC and the Air District. This will create liquidity for operations and lower the Beale Assessment.
- Revise the membership fee policy to ensure annual collection will cover all “essential program” costs such as pension, memberships, stipend as well as legal and contractual services.

These changes will help put ABAG on a more stable financial footing as well as create liquidity and operational flexibility important for managing future programs such as the Regional Early Action Program(REAP).

#### 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). SFEP ended FY 2020-21 with a cash flow deficit of \$96,558 which should be mitigated when final expenses are billed against the grants as part of the year-end closing process.

The program reports nearly \$7.0 million of revenue and \$7.1 million in expenses for the year. Although the new grant revenue is budgeted as Miscellaneous Revenue (Obj 4950), the actual revenue is reported in the appropriate grant types as they are executed and collected during the year. This process will be revised in the following year to ensure the new grants budgeted are shown in the appropriate grant types.

#### BayREN—Energy

BayREN-Energy program is a grant funded operation consisting mainly of California Public Utilities Commission grants. The fund shows a deficit of \$129,441 at June 30. The deficit should be corrected when salary and contract related expenses are billed against the grants as part of the year-end closing process.

Total revenue from CPUC grants is \$21,131,100 for the year and expense is \$21,260,540.

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

**Association of Bay Area Governments**

**Finance Committee**

---

**September 16, 2021**

**Agenda Item 6.a.**

---

**Financial Statements**

---

**Issues:** None

**Recommended Action:** The Finance Committee is requested to approve the staff report on ABAG Financial Statements for period ended June 30, 2021.

**Attachments:** A. Report by Program  
B. Budget to Actual by Funds

**Reviewed:**

  
Therese W. McMillan