

# Association of Bay Area Governments

## Executive Board

April 18, 2024

Agenda Item 9.a.

### Proposed FY 2024-25 Operating Budget and Work Program

#### Subject

Adoption of Resolution No. 5-2024 authorizing the Proposed Fiscal Year (FY) 2024-25 Association of Bay Area Governments (ABAG) Operating Budget and Work Program for referral to the ABAG General Assembly for final review and approval at its annual meeting

#### Background:

According to Article XI.B of the Association of Bay Area Governments (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 and projected, for the current and next fiscal years. The Executive Board reviews the proposed budget and work program, amending as necessary, and submits them to the General Assembly for review and adoption.

The proposed ABAG Work Program for FY 2024-25, included in this item as Attachment D, includes a summary description of all the programs and projects conducted by ABAG, including highlights of work completed in FY 2023-24 and plans for FY 2024-25. The FY 2024-25 work program describe the continued work in the Regional Planning Program, Local Government Services, Regional Trails, and Legislation and Public Affairs. The proposed ABAG Budget for FY 2024-25 includes allocation of revenue and expenses for all ABAG operating funds, including ABAG Administration, ABAG Grants, ABAG Bay Area Regional Energy Network (BayREN), ABAG San Francisco Estuary Partnership (SFEP) and the San Francisco Bay Trail.

The FY 2024-25 ABAG Finance Authority for Nonprofit Corporations (FAN) and ABAG Publicly Owned Energy Resources (POWER) operating budgets will be presented separately to their respective governing boards.

The ABAG revenue budget is \$95.8 million, which is an overall projected decrease of \$2.9 million compared to FY 2023-24. Summarized revenue details include:

	FY 2023-24 (millions)	FY 2024-25 (millions)
Revenue		
Administration	\$ 3.3	\$ 3.8
ABAG Grants	16.0	9.3
BayREN-Energy	37.2	39.4
SFEP	41.5	43.0
Bay Trail Non-Profit	0.2	0.2
Total	\$ 98.2	\$ 95.7

The decrease is primarily due to a reduction in ABAG Grant revenue as implementation of the

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Regional Early Action Planning and California State Coastal Conservancy grant funding is mostly complete. In FY 2024-25, both BayREN and SFEP continue to receive significant amounts of grant funding from the California Public Utilities Commission (CPUC), the Environmental Protection Agency (EPA), and the California Department of Water Resources (DWR) to increase energy savings, advance wetland restoration and monitoring, improve water quality, and programs preventing water pollution and partnerships with coastal cities and wastewater treatment plants focused on resiliency.

#### ABAG Administration

The proposed ABAG Administration Budget for FY 2024-25 is \$3.95 million. The primary source of revenue is membership dues, which increases to \$3.1 million, up 10% from FY 2023-24. The detailed membership dues schedule is attached (see Attachment B). While this increase is significant, member dues are still insufficient to fully cover ongoing expenses, including amortization of unfunded pension obligations, ABAG's contribution for maintaining the Bay Area Metro Center, and other administrative costs.

Total retirement expenses are \$2.7 million, a \$1.1 million increase from FY 2023-24. ABAG receives full reimbursement from the California Employers' Retiree Benefit Trust (CERBT) for retiree medical expenses. Therefore, the \$0.6 million of retiree health care costs will be covered by a withdrawal from the trust. On the other hand, the amortization of the unfunded accrued pension liability of \$2.1 million requires approximately 68% of all membership dues.

General operating expenses, contractual services, and transfers total \$1.5 million, a \$0.2 million decrease from FY 2023-24. This includes ongoing commitments such as 375 Beale assessment, insurance costs, and ABAG's contribution to the Bay Area Regional Collaborative. The proposed budget results in a \$401 thousand operating deficit. Staff anticipates \$352 thousand of this projected deficit to be covered by a combination of FY 2023-24 budgeted surplus, higher than anticipated interest earnings, deferred contract work, and unspent contingency. The remaining \$49 thousand would be drawn from fund balance.

While the FY 2024-25 proposed budget is funded by anticipated savings in FY 2023-24 and a draw from fund balance, ABAG continues to be in a challenging financial position. CalPERS' current estimate for FY 2025-26 unfunded accrued pension liability is \$2.2 million, equivalent to close to 70% of the proposed membership dues. Other costs anticipated in the upcoming fiscal years include increased cost for maintaining the Bay Area Metro Center and cost allocation of a new Enterprise Resource Planning software. Staff anticipates returning to the Executive Board in the fall of 2024 to discuss the financial challenges and alternatives, review the methodology for calculating membership dues, and a long-term financial plan for ABAG.

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ABAG Administration	FY 2023-24 Amendment No. 1	FY 2024-25 Proposed	Difference \$
	(Thousands \$)	(Thousands \$)	(Thousands \$)
<b>Revenues</b>			
Membership Dues	\$2,851	\$3,140	\$289
Interest & Other Revenue	484	615	131
<b>Total Revenues</b>	<b>\$3,335</b>	<b>\$3,755</b>	<b>\$420</b>
<b>Expenses &amp; Transfers</b>			
Pension	\$1,135	\$2,139	\$1,004
OPEB	480	558	78
375 Beale Assessment	222	206	(16)
BARC (Transfer Out)	188	203	15
Insurance	259	250	(9)
Other	998	800	(198)
<b>Total Expenses &amp; Transfers Out</b>	<b>\$3,283</b>	<b>\$4,156</b>	<b>\$874</b>
<b>Operating Surplus/(Deficit)</b>	<b>\$52</b>	<b>(\$401)</b>	<b>(\$453)</b>

Bay Area Regional Energy Network (BayREN)

BayREN facilitates energy efficiency projects to residents and communities throughout the San Francisco Bay Area Region. In July 2023, the CPUC approved BayREN’s 2024-2031 Strategic Business Plan, which added new equity initiatives, an expanded portfolio that includes public sector, refrigerant replacement, and workforce programs. BayREN was also approved to be the lead of a statewide Home Energy Score program, the first time that a non-utility has been selected as lead.

The proposed FY 2024-25 BayREN budget is \$39.4 million. This includes \$39.1 million in grant funding from CPUC to support ongoing and new initiatives. Direct incentives, which make up 42.3% of the budget, are \$16.7 million, a \$1 million increase from FY 2023-24. General operating expenses and consultant costs are \$19.5 million, a \$0.5 million increase from FY 2023-24. Staffing and overhead costs are \$3.2 million, a \$0.6 million increase to support implementation of new programs and equity initiatives.

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#### San Francisco Estuary Partnership (SFEP)

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) and EPA. The proposed budget for FY2024-25 is \$43 million, a \$1.5 million increase from FY 2023-24. A complete listing of awarded grants is included in Attachment A.

On the expense side, proposed non-staff expenses are \$39.1 million, an increase of \$0.4 million from FY 2023-24. Proposed staff and overhead costs are \$3.8 million, an increase of \$1.1 million from FY2023-24. This increase supports implementation of new programs such as the Wetlands Regional Monitoring Program and new Water Quality Improvement Fund grants and reflects an increase in overhead cost recoveries.

#### 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 proposed budget is \$338,000, which is funded by a combination of donations, other revenue, and prior year revenue.

#### Resolution No. 5-2024

Staff is requesting approval of ABAG Resolution No. 5-2024 authorizing the Proposed FY 2024-25 ABAG Operating Budget and Work Program and all affiliated funds and entities. Resolution No. 5-2024 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 2024-25 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.

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**Recommended Action:**

The ABAG Executive Board is requested to forward and recommend ABAG General Assembly adoption of ABAG Resolution No. 5-2024—Approval of the Association of Bay Area Governments Fiscal Year 2024-25 Operating Budget and Work Program.

**Attachments:**

- A. Proposed FY 2024-25 Operating Budget
- B. Proposed FY 2024-25 Membership Dues
- C. Resolution No. 5-2024 FY 2024-25 ABAG Operating Budget and Work Program
- D. Proposed FY 2024-25 Budget and Work Program
- E. Presentation: Proposed FY 2024-25 ABAG Operating Budget

**Reviewed:**



Andrew Fremier