

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

Date: November 10, 2016
To: ABAG Executive Board
From: Courtney Ruby
Director of Finance and Administrative Services
Subject: **Financial Reports September 2016**

The following are highlights of the September 2016 financial reports.

Overall Summary

Revenues exceeded expenses by \$219 thousand for the three months ended September 30, 2016. Of this amount, \$140 thousand is attributable to a timing difference. A \$50 thousand surplus is projected at year in the adopted budget. Please refer to the **Table of Financial Report Data Elements** for fiscal year budget, year-to-date actual and projected fiscal year numbers.

The budget for FY 2016-17 was adopted January 2016 and is currently under review. Any proposed adjustments will be presented to the Finance Committee at the January 2017 meeting.

Cash on Hand

The cash balance was \$6.7 million at the end of September, including \$2.2 million deposited in the Local Agency Investment Fund (LAIF). As shown in Figure 1 the actual monthly cash balances for the first three months of fiscal year 2016-17, and the projected balance for the year end are within our normal range of \$6.0 to \$9.0 million. The cash balance is projected to be approximately \$7 million at the end of the fiscal year.

Receivables

At the end of September 2016, total receivables amounted to \$14.1 million which included \$8.3 million of unbilled receivables related to SFEP's Integrated Regional Water Management Program (IRWMP) and \$5.8 million (mainly attributed to IRWMP and BayREN) of grant and service programs receivables. Receivables over 90 days past due were \$645 thousand, including \$512 thousand from the Department of Water Resources. All receivables are believed to be collectible. Figure 2 shows the comparison of receivables generated by grants and service programs over the current and prior fiscal year.

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Revenues and Expenses

As of September 30, 2016, total revenue amounted to \$6.7 million, which is 11 percent, of the projected revenue for the year of \$58.2 million. Total expenses amounted to \$6.4 million, which is 11 percent of the projected expenses for the year of \$58.2 million.

Figure 3 presents a graphic comparison of the current month of September, the three month year-to-date actual, and fiscal year projected revenues and expenses. The relationship of revenues exceeding expenses is consistent for all three periods shown.

Figures 4 and 5 show year-to-date revenues and expenses by major categories. Grants revenue is 85% of total revenue, compared to 73% for the prior fiscal year. Pass-through and Consultant expense are 55% of total expenses, compared to 50% for the prior fiscal year. The increasing percentages for these categories of revenues and expenses are caused by new multi-year funding for BayREN and SFEP's IRWMP by \$16 million and \$32 million respectively.

Net Position/Fund Equity

Total fund equity was negative \$7.5 million as of September 30, 2016. In compliance with the new accounting pronouncement, GASB 68, beginning with the June 30, 2015 audited financial statements, we have recorded the ABAG accumulated unfunded pension obligation as a liability and reduction of fund equity. For internal financial statement purposes, we have elected to separately track the fund equity for the pension obligation and operations. Thus, the June fund equity for pension obligations is presented as a negative \$12.2 million, and the accumulated fund equity from operations is presented as a positive \$3.1 million in the financial reports. The restricted fund equity of \$1.6 million consists of capital, self-insurance, building maintenance and reserves. Figure 6 is a graphic presentation of actual and projected: unrestricted, restricted, and total net equity for the current fiscal year.

The fund equity for pension obligations is expected to change when the audit for FY 2015-16 is complete.

Indirect Overhead Rate

After careful analysis of our ABAG overhead accounts, we projected and obtained an approval from EPA for an increase to our project overhead rate by 1.2% to 46.15% in FY 2016-17 (up from 44.95% in FY 2015-16). The new rate will be included in the proposed budget adjustments to be presented to the Finance Committee at the January 2017 meeting.

The Agency's actual indirect overhead cost rate through September 2016 was 43.59%, which was 1.36 percentage points below the current adopted budget of 44.95% and 2.56% below the rate of 46.15% approved by EPA. This variance from the budget and approved rate is not unexpected at this early point in the fiscal year as some expenses including merger study fees of approximately \$150 thousand have not been paid. Figure 7 shows a comparison between the actual indirect cost rate through September 30, 2016 and the budget and EPA approved rates for the year.

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Financial Information by Program

The **Report by Program of Net Surplus/(Deficit)** is included after the charts. This report presents revenue and expense information by program. It provides an overview of budgeted and year-to-date revenue and expense data for major programs such as the Planning Services, San Francisco Estuary Partnership (SFEP), Bay Trail and POWER/Energy. Apart from SFEP none of the other major programs listed on this chart are significantly out of line with the budget. For SFEP, the actual progress of the projects is below projection because we have not been billed by subrecipients as it takes several weeks to know the actual progress due the complexity multi-year duration nature of the projects.

Financial Outlook

The projection for fiscal year 2016-17 is for a surplus of revenues over expenses of \$50,000.