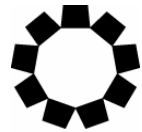


ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

A G E N D A

FINANCE COMMITTEE

Thursday, January 18, 2018, 5:00 p.m.

Location:

Bay Area Metro Center
Board Room
375 Beale Street
San Francisco, California

Committee Members:

Karen Mitchoff, Supervisor, County of Contra Costa—*Chair*
Annie Campbell Washington, Councilmember, City of Oakland
Cindy Chavez, Supervisor, County of Santa Clara
Pradeep Gupta, Mayor, City of South San Francisco
Scott Haggerty, Supervisor, County of Alameda
Erin Hannigan, Supervisor, County of Solano
Julie Pierce, Councilmember, City of Clayton—*Ex officio*
David Rabbitt, Supervisor, County of Sonoma—*Ex officio*
Greg Scharff, Mayor, City of Palo Alto—*Ex officio*

The ABAG Finance Committee may act on any item on this agenda.

Agenda and attachments available at <http://abag.ca.gov/meetings/financepersonnel.html>

*This meeting is scheduled to be webcast live at
<http://abag.ca.gov/meetings/financepersonnel.html>*

For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913.

- 1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM**
- 2. ELECTION OF COMMITTEE CHAIR AND VICE CHAIR FOR 2018 AND DESIGNATION OF TERM OF OFFICE**

ACTION

Steve Heminger, MTC Executive Director, will give the staff report.

ABAG Finance Committee

January 18, 2018

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3. PUBLIC COMMENT

INFORMATION

4. COMMITTEE ANNOUNCEMENTS

INFORMATION

5. APPROVAL OF ABAG FINANCE COMMITTEE SUMMARY MINUTES OF MEETING ON NOVEMBER 16, 2017

ACTION

Attachment: Summary Minutes of November 16, 2017

6. REPORT ON FINANCIAL STATEMENTS FROM JULY TO OCTOBER 2017 (UNAUDITED)

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Financial Statements; Financial Report Net Surplus Deficit; Financial Report Budget to Actual; Memo Contracts between \$20,000 and \$50,000

7. REPORT ON INVESTMENTS FOR NOVEMBER 2017

ACTION

Brian Mayhew, MTC Chief Financial Officer, will give the staff report.

Attachments: Memo Investment; Investment Report

8. REPORT ON AUDITED FINANCIAL REPORTS FOR FY 2016-17

ACTION

Courtney Ruby, MTC Administration and Facilities Director, will give the staff report.

Attachments: Memo Audited Financial Reports; Basic Financial Statements Fiscal Year End June 2017; Single Audit Report Year End 2017; Memorandum Internal Control

9. APPROVAL OF CONTRACT—BUSINESS INSURANCE BROKER, CONSULTATION THIRD PARTY INSURANCE CERTIFICATE MANAGEMENT SERVICES—USI INSURANCE SERVICES

ACTION

Denise Rodriguez, MTC Contract Compliance Manager, Administration and Facilities, will give the staff report.

Attachment: Memo Business Insurance Broker

ABAG Finance Committee

January 18, 2018

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10. ADJOURNMENT

The next regular meeting of the ABAG Finance Committee is on March 15, 2018.

Date Submitted: January 8, 2018

Date Posted: January 11, 2018

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SUMMARY MINUTES (DRAFT)

ABAG Finance Committee Meeting
Thursday, November 16, 2017
Bay Area Metro Center
375 Beale Street, Board Room
San Francisco, California

1. CALL TO ORDER / ROLL CALL / CONFIRM QUORUM

ABAG Finance Committee Chair Karen Mitchoff, Supervisor, County of Contra Costa, called the meeting to order at about 4:32 p.m.

A quorum of the Committee was present at about 4:32 p.m.

Members Present

Karen Mitchoff, Supervisor, County of Contra Costa—*Chair*
David Cortese, Supervisor, County of Santa Clara—*Ex officio*
Pradeep Gupta, Mayor, City of South San Francisco
Scott Haggerty, Supervisor, County of Alameda
Erin Hannigan, Supervisor, County of Solano
Julie Pierce, Councilmember, City of Clayton—*Ex officio*
David Rabbitt, Supervisor, County of Sonoma—*Ex officio*
Greg Scharff, Mayor, City of Palo Alto

Members Absent

Annie Campbell Washington, Councilmember, City of Oakland
Cindy Chavez, Supervisor, County of Santa Clara

Staff Present

Steve Heminger, MTC Executive Director
Alix Bockelman, MTC Deputy Executive Director, Policy
Brian Mayhew, MTC Chief Financial Officer
Brad Paul, MTC Deputy Executive Director, Local Government Services
Cynthia Segal, MTC Deputy General Counsel

2. PUBLIC COMMENT

There was no public comment.

3. COMMITTEE ANNOUNCEMENTS

There were no committee member announcements.

4. APPROVAL OF ABAG FINANCE AND PERSONNEL COMMITTEE SUMMARY MINUTES OF MEETING ON SEPTEMBER 21, 2017

Chair Mitchoff recognized a motion by Greg Scharff, Mayor, City of Palo Alto, which was seconded by Julie Pierce, Councilmember, City of Clayton, to approve ABAG Finance and Personnel Committee summary minutes of meeting on September 21, 2017.

There was no discussion.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese.

The motion passed unanimously.

5. FINANCIAL STATEMENTS FROM JULY TO SEPTEMBER 2017 (UNAUDITED)

Brian Mayhew, MTC Chief Financial Officer, gave the staff report on the Financial Statements from July to September 2017 (Unaudited).

Chair Mitchoff recognized a motion by Pierce, which was seconded by Erin Hannigan, Supervisor, County of Solano, to accept the staff report on Financial Statement from July to September 2017 (Unaudited).

There was no discussion.

There was no public comment.

The aye votes were: Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez, Cortese.

The motion passed unanimously.

6. INVESTMENT REPORT FOR SEPTEMBER 2017

Brian Mayhew, MTC Chief Financial Officer, gave the staff report on the Investment Report for September 2017.

Chair Mitchoff recognized a motion by Pierce, which was seconded by Erin Hannigan, Supervisor, County of Solano, to accept the staff report on the Investment Report for September 2017.

Members discussed Community Facilities Districts.

There was no public comment.

The aye votes were: Cortese, Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez.

The motion passed unanimously.

7. ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS (ABAG FAN) PORTFOLIO ANALYSIS UPDATE

Brian Mayhew, MTC Chief Financial Officer, gave the staff report on the ABAG FAN portfolio analysis update, including a portfolio review and analyses by MTC Treasury staff members, the PFM Group, and Sperry Capital.

Members discussed transaction fees; staffing and internal controls; fee structures; invoicing of fees and fee schedule; reporting and documentation; recommendations.

Chair Mitchoff recognized a motion by David Rabbitt, Supervisor, County of Sonoma, which was seconded by Scharff, to accept the staff report on the ABAG FAN portfolio analysis update.

There was no discussion.

There was no public comment.

The aye votes were: Cortese, Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez.

The motion passed unanimously.

8. ADOPTION OF RESOLUTION NO. 19-17 APPROVING THE JOINT POWERS AGREEMENT CREATING THE ADVANCING CALIFORNIA FINANCE AUTHORITY

Brian Mayhew, MTC Chief Financial Officer, gave the staff report on the Joint Powers Agreement creating the Advancing California Finance Authority.

Steve Heminger, MTC Executive Director, reported on the federal tax reform

Members discussed

Chair Mitchoff recognized a motion by Pierce, which was seconded by Hannigan, to accept the staff report on the Joint Powers Agreement creating the Advancing California Finance Authority and to recommend Executive Board adoption of Resolution No. 19-17.

Members discussed the ACFA governing board and credit committee structure.

The following individual gave public comment: Ken Bukowski.

The aye votes were: Cortese, Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez.

The motion passed unanimously.

9. AUTHORIZATION TO INCREASE THE APPROVED 2017-2018 BUDGET AND WORK PROGRAM TO REFLECT THE ADDITION OF THE CALENDAR YEAR 2018 BAYREN FUNDING

Brad Paul, MTC Deputy Executive Director, Local Government Services, gave the staff report on the addition of Calendar Year 2018 BayREN funding.

Jenny Berg, BayREN Manager, reported on the availability of the BayREN annual report.

Chair Mitchoff recognized a motion by Rabbitt, which was seconded by Pradeep Gupta, Mayor, City of South San Francisco, to accept the staff report on the Calendar Year 2018 BayREN Funding and to recommend Executive Board approval of the increase in the 2017-2018 Budget and Work Program to reflect the addition of the 2018 calendar year funding for the Bay Area Regional Energy Network.

There was no discussion.

There was no public comment.

The aye votes were: Cortese, Gupta, Haggerty, Hannigan, Mitchoff, Pierce, Rabbitt, Scharff.

The nay votes were: None.

Abstentions were: None.

Absent were: Campbell Washington, Chavez.

The motion passed unanimously.

10. ADJOURNMENT

Chair Mitchoff adjourned the meeting of the Finance Committee at about 5:24 p.m.

The next meeting of the Finance Committee will be on January 18, 2018.

Submitted:

/s/ Fred Castro, Clerk of the Board

Date Submitted: November 27, 2017

Date Approved:

For information, contact Fred Castro, Clerk of the Board, at (415) 820 7913 for fcastro@bayareametro.gov.



Date: January 11, 2018

To: ABAG Finance Committee

From: Executive Director

Subject: **Report on ABAG Financial Statements from July to October 2017
(Unaudited)**

Attached please find the financial statements for the period of July 1, 2017 through October 31, 2017. The Budget to Actual Report by Program presents an overview of the FY 2017-18 budget as well as year-to-date revenue and expenses data. Year-to-date revenue and expense by major category is included below the chart. There were no contracts between \$20,000 and \$50,000 from July to October 2017.

Overall Summary

As of October 31, 2017, total revenue for the first four months of the fiscal year amounted to \$18.3 million, exceeding the expenses total of \$10.5 million. Earned premiums and grant revenue are the largest revenue sources at 73% of total revenue. The following are highlights of the financial reports:

ABAG Administration – Membership dues are completely paid as of October. CALPERS retirement and medical retiree expenses are 72% of total expense. Staff is still evaluating the budget treatment for these payments.

SF Bay Restoration Authority - The Restoration Authority revenue is being collected from a parcel tax in each county starting in December 2017. The first payments have been received and will be detailed in a future report.

POWER - Sale of energy revenue is in line with budget. Operating expenses are under budget due to lower use of natural gas in the summer months.

PLAN –PLAN and SHARP have voted to replace ABAG as administrator as of December 31, 2017. We are in the process of completing the transfer of assets and closing accounts. PLAN and SHARP information will be removed from future reports.

FAN – Expenses are higher than revenues due to consultant costs and ongoing start-up costs for the new finance authority.

Report on ABAG Financial Statements from July to October 2017 (Unaudited)

January 11, 2018

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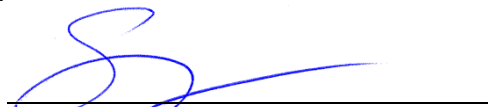
We are still sorting through transaction processes and should have a better understanding of the flow of finances with the mid-year report.

We are fiscal agents only for Balance Foundation and SF Bay Restoration Authority and are presenting financial information for informational purposes only.

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

Recommended Action

The Finance Committee is requested to accept the staff report.



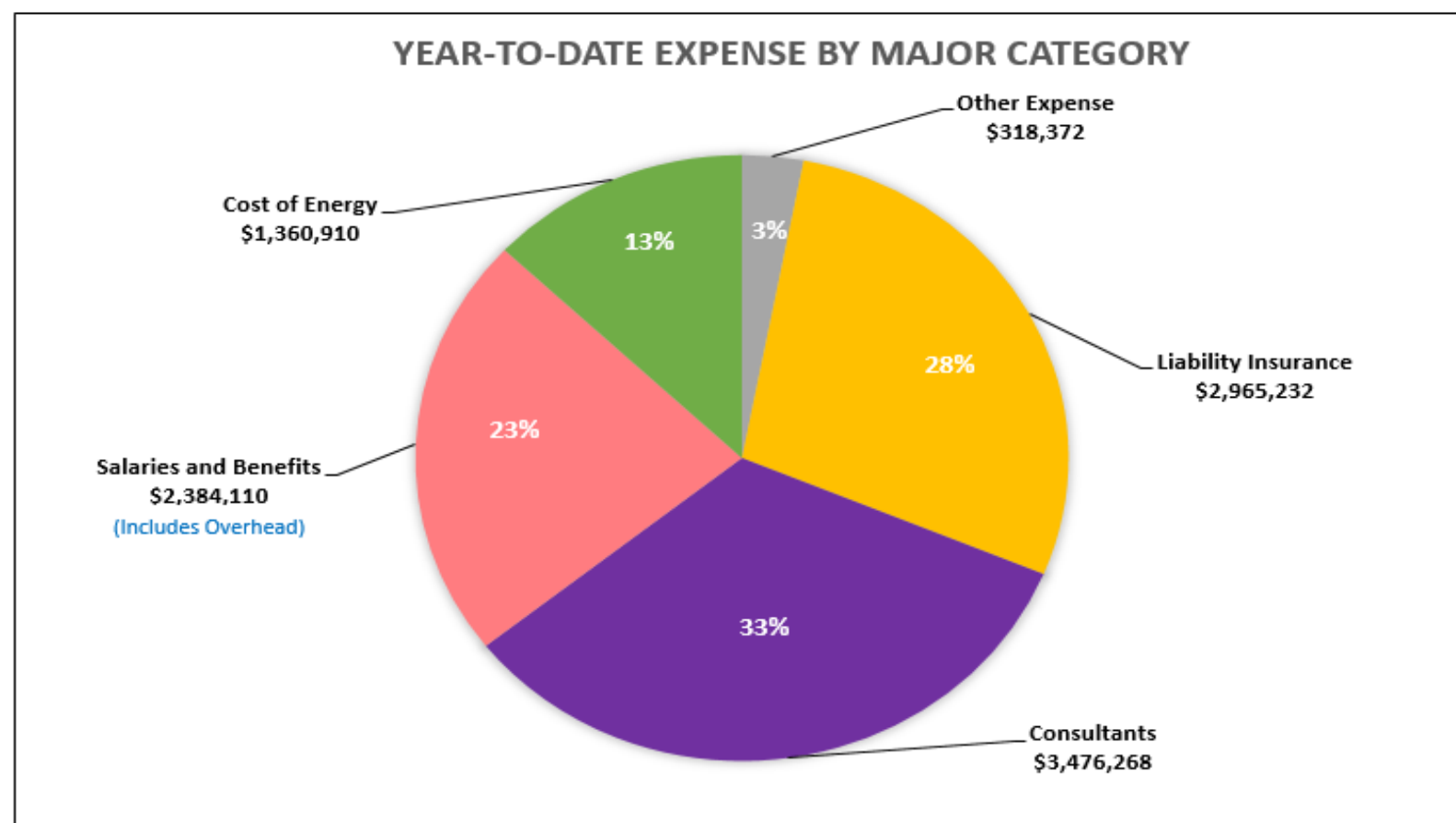
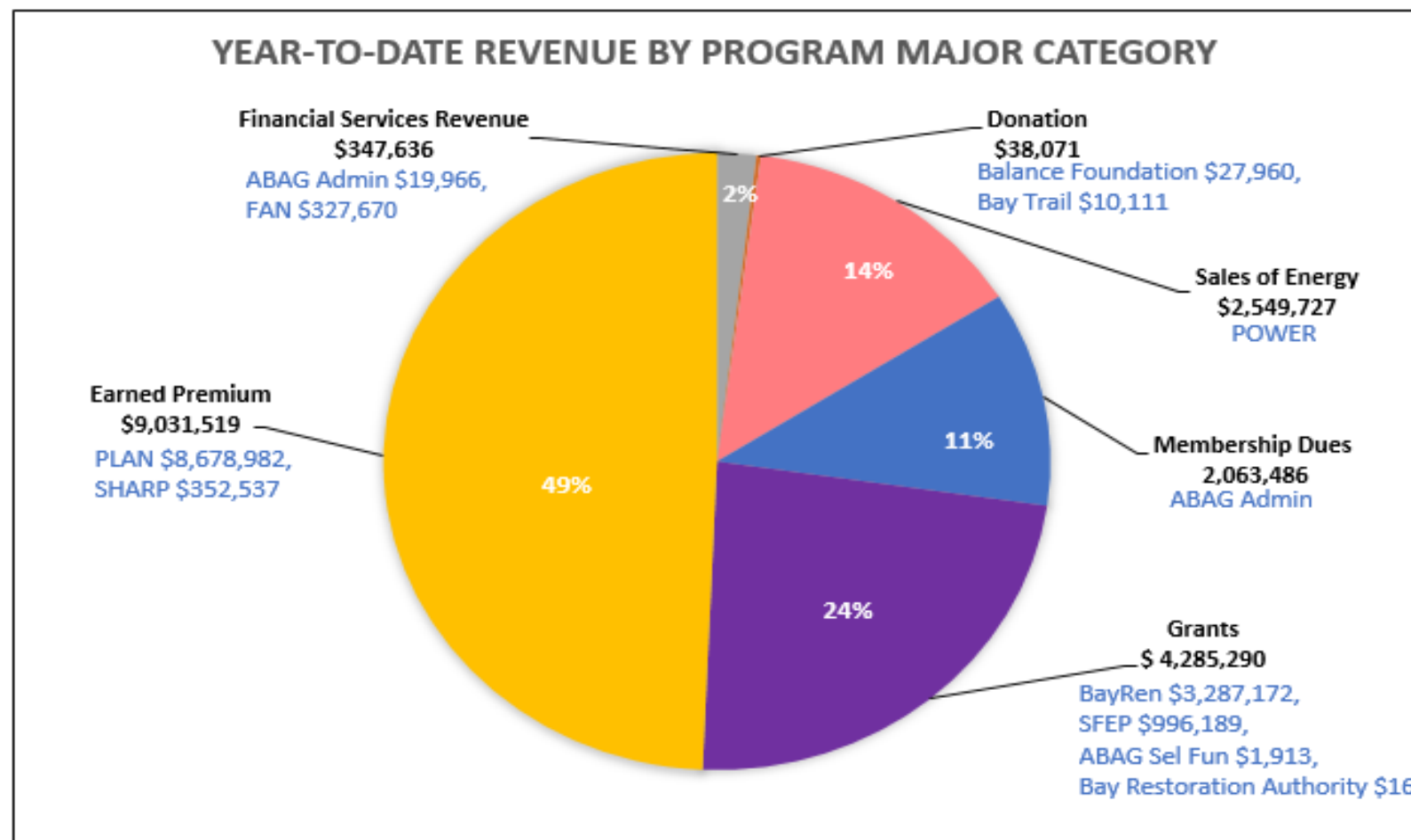
Steve Heminger

Attachment

Financial Statements

Report by Program of Net Surplus/ (Deficit)
July - October 31, 2017 (33.33% of year)

Fund	Approved FY18 Budget	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/ (Deficit)	% of Expense Budget
ABAG PLAN	5,801,546	8,678,982	2,906,921	5,772,061	50%
ABAG Admin & Legal	2,068,401	2,083,452	933,912	1,149,540	45%
ABAG POWER	7,450,552	2,549,727	1,477,686	1,072,042	20%
SHARP	397,579	352,537	329,325	23,212	83%
SF Bay Trail	12,300	10,111	5,557	4,554	45%
BayRen	17,536,904	3,287,172	3,287,205	(33)	19%
SF Estuary Partnership	39,008,792	996,189	996,476	(287)	3%
Balance Foundation	-	27,960	36,853	(8,892)	0%
SF Bay Restoration Authority	555,700	16	21,167	(21,151)	4%
FAN	826,619	327,670	391,082	(63,412)	47%
ABAG Self-funded Fund (State of the Estuary Conference, Estuary Newsletter, Admin-civil Liab, Bay-Delta Conf Registration, Energy-Dev)	246,716	1,913	118,709	(116,796)	48%
Total	73,905,109	18,315,730	10,504,892	7,810,838	14%



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Budget to Actual by Program

Report Date: 10/31/2017

(with Encumbrances)

Budget Version: OB

Fiscal Year: 2018

Budget Level: OB

Fund 401

Program: 0000 ADMIN

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int Income - LAIF	4801	0.00	5,978.87	0.00	-5,978.87
Interest Income - Other	4846	0.00	215.13	0.00	-215.13
Gain/Loss on Sale of Equipment	4920	0.00	7,497.83	0.00	-7,497.83
Membership Dues	4946	2,068,401.00	2,063,486.00	0.00	4,915.00
Gen Assembly/Conf Reg	4947	0.00	240.00	0.00	-240.00
Other Publications	4949	0.00	265.28	0.00	-265.28
Miscellaneous	4950	0.00	812.15	0.00	-812.15
Financial Services Revenue	4953	0.00	4,957.00	0.00	-4,957.00
Transfers In	8002	0.00	0.00	0.00	0.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries - Gross	5001	0.00	2,942.04	0.00	-2,942.04
Temporary Agency	5046	0.00	0.00	0.00	0.00
Benefits - Medical - Actives	5050	0.00	4,416.40	0.00	-4,416.40
Benefits - Dental	5051	0.00	9,296.87	0.00	-9,296.87
Benefits - Vision	5052	0.00	-251.95	0.00	251.95
Benefits - FICA	5060	0.00	2,298.10	0.00	-2,298.10
Benefits - Workman's Comp	5061	0.00	6,518.69	0.00	-6,518.69
Benefits - Retirement	5062	1,286,000.00	215,885.15	0.00	1,070,114.85
Benefits - Unemployment Ins	5063	0.00	0.00	0.00	0.00
Benefits - Medical - Retirees	5074	0.00	337,668.12	0.00	-337,668.12
Travel Expense	5100	0.00	0.00	0.00	0.00
Meals	5105	10,701.54	3,271.65	7,430.00	-0.11
Beale Assessments	5218	325,000.00	81,250.00	243,750.00	0.00
Mailing/Postage	5265	0.00	1,460.00	0.00	-1,460.00
Memberships	5270	0.00	0.00	0.00	0.00
Subscriptions	5280	0.00	0.00	0.00	0.00
Consultant/Professional Fees	5300	0.00	5,401.35	6,494.27	-11,895.62
Legal Fees	5340	0.00	4,596.78	3,141.72	-7,738.50
Interest Expense	5651	0.00	1,065.60	0.00	-1,065.60
Printing and Reproduction	5700	0.00	0.00	0.00	0.00
Hosted Services	5702	0.00	308.57	0.00	-308.57
Commtee Member's Stipend	5703	80,000.00	21,825.00	0.00	58,175.00
County Auditor	5704	0.00	0.00	0.00	0.00
Audit	5717	0.00	0.00	46,100.00	-46,100.00
Bank Service Charges	5750	0.00	10,567.40	0.00	-10,567.40
Insurance	5751	133,690.91	92,814.91	0.00	40,876.00
Miscellaneous	5755	0.00	70.00	0.00	-70.00
Depreciation	5790	0.00	109,062.65	0.00	-109,062.65
Transfers out	8000	233,008.55	0.00	0.00	233,008.55

Ledger: GL
Report Date: 10/31/2017
Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Revenue:	2,068,401.00	2,083,452.26	0.00	-15,051.26
Expenses:	2,068,401.00	910,467.33	306,915.99	851,017.68
Net:	<u>0.00</u>	<u>1,172,984.93</u>	<u>-306,915.99</u>	<u>-866,068.94</u>

Ledger: GL
Report Date: 10/31/2017
Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Program: 1716 ABAG Legal
EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries - Gross	5001	0.00	23,444.52	0.00	-23,444.52
Revenue:		0.00	0.00	0.00	0.00
Expenses:		0.00	23,444.52	0.00	-23,444.52
Net:		0.00	-23,444.52	0.00	23,444.52

Ledger: GL

Budget to Actual by Program

Period: 4

Report Date: 10/31/2017

(with Encumbrances)

Budget Version: OB

Fiscal Year: 2018

Budget Level: OB

Program: 6994 CALFED/IP Cnfrnc

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Miscellaneous	4950	32,000.00	0.00	0.00	32,000.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Consultant/Professional Fees	5300	32,000.00	0.00	0.00	32,000.00

Revenue:	32,000.00	0.00	0.00	32,000.00
Expenses:	32,000.00	0.00	0.00	32,000.00
Net:	0.00	0.00	0.00	0.00

Ledger: GL
Report Date: 10/31/2017
Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Program: 6995 State of the Est
REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Miscellaneous	4950	125,259.00	0.00	0.00	125,259.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	0.00	8,959.86	0.00	-8,959.86
Benefits	5099	0.00	7,053.24	0.00	-7,053.24
Meals	5105	0.00	63,510.80	6,489.20	-70,000.00
Conference/Trning Exps & Fees	5130	0.00	0.00	1,500.00	-1,500.00
Personnel Recruitment	5140	0.00	0.00	0.00	0.00
Advertising/Public Awareness	5142	0.00	595.00	0.00	-595.00
Consultant/Professional Fees	5300	125,259.00	769.20	30.80	124,459.00
Miscellaneous	5755	0.00	397.59	0.00	-397.59
Indirect Costs	5763	0.00	7,731.12	0.00	-7,731.12

Revenue:	125,259.00	0.00	0.00	125,259.00
Expenses:	125,259.00	89,016.81	8,020.00	28,222.19
Net:	0.00	-89,016.81	-8,020.00	97,036.81

Ledger: GL

Report Date: 10/31/2017

Fiscal Year: 2018

Program: 6996 Estuary Newsltr

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Miscellaneous	4950	60,000.00	0.00	0.00	60,000.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Consultant/Professional Fees	5300	60,000.00	24,110.00	9,780.00	26,110.00

Revenue:	60,000.00	0.00	0.00	60,000.00
Expenses:	60,000.00	24,110.00	9,780.00	26,110.00
Net:	0.00	-24,110.00	-9,780.00	33,890.00

Budget to Actual by Program

(with Encumbrances)

Period: 4

Budget Version: OB

Budget Level: OB

Ledger: GL
 Report Date: 10/31/2017
 Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Program: 6997 Admin Civil Liab
REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Admin Civil Liability Fines	4948	0.00	1,913.04	0.00	-1,913.04
Miscellaneous	4950	29,457.00	0.00	0.00	29,457.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	0.00	1,159.95	0.00	-1,159.95
Benefits	5099	0.00	976.35	0.00	-976.35
Consultant/Professional Fees	5300	29,457.00	0.00	0.00	29,457.00
Indirect Costs	5763	0.00	1,031.41	0.00	-1,031.41
Revenue:		29,457.00	1,913.04	0.00	27,543.96
Expenses:		29,457.00	3,167.71	0.00	26,289.29
Net:		<u>0.00</u>	<u>-1,254.67</u>	<u>0.00</u>	<u>1,254.67</u>

Ledger: GL
Report Date: 10/31/2017
Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Program: 6998 Bay-DeltaConReg
EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Conference/Trning Exps & Fees	5130	0.00	0.00	1,500.00	-1,500.00
	Revenue:	0.00	0.00	0.00	0.00
	Expenses:	0.00	0.00	1,500.00	-1,500.00
	Net:	0.00	0.00	-1,500.00	1,500.00

Ledger: GL
Report Date: 10/31/2017
Fiscal Year: 2018

Budget to Actual by Program
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Program: 6999 ABAG-Energy Dev
EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	0.00	869.38	0.00	-869.38
Benefits	5099	0.00	758.65	0.00	-758.65
Memberships	5270	0.00	0.00	0.00	0.00
Indirect Costs	5763	0.00	786.02	0.00	-786.02
	Revenue:	0.00	0.00	0.00	0.00
	Expenses:	0.00	2,414.05	0.00	-2,414.05
	Net:	<u>0.00</u>	<u>-2,414.05</u>	<u>0.00</u>	<u>2,414.05</u>

Ledger: GL

Budget to Actual by Program

Period: 4

Report Date: 10/31/2017

(with Encumbrances)

Budget Version: OB

Fiscal Year: 2018

Budget Level: OB

Fund 402

Program: 1720 SF Estuary Part

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Revenue - EPA	4018	2,990,984.00	476,039.90	0.00	2,514,944.10
Revenue- Dept of Interior	4021	269,340.00	0.00	0.00	269,340.00
Revenue - Caltrans	4216	900,000.00	0.00	0.00	900,000.00
Rev - Reg Water Qual Cont BD	4222	20,322.00	0.00	0.00	20,322.00
Revenue - Ca Natural Res Agency	4223	313,842.00	537.70	0.00	313,304.30
Revenue - DWR	4227	33,215,998.00	91,195.16	0.00	33,124,802.84
Rev - Delta Stewards Council	4228	204,014.00	76,410.85	0.00	127,603.15
Revenue - BATA	4320	0.00	268,446.28	0.00	-268,446.28
Revenue - Santa Clara Water	4351	197,688.00	35,203.94	0.00	162,484.06
Revenue - Marin County	4352	108,813.00	0.00	0.00	108,813.00
Revenue - Alameda County	4353	199,561.00	48,354.99	0.00	151,206.01
Miscellaneous	4950	588,230.00	0.00	0.00	588,230.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	1,580,677.00	305,346.40	0.00	1,275,330.60
Temporary Agency	5046	10,000.00	0.00	0.00	10,000.00
Payroll Allocations Suspense	5098	0.00	0.00	0.00	0.00
Benefits	5099	841,229.58	253,909.63	0.00	587,319.95
Travel Expense	5100	32,825.00	3,075.85	0.00	29,749.15
Meals	5105	800.00	0.00	0.00	800.00
Conference/Trning Exps & Fees	5130	14,500.00	28,348.00	866.00	-14,714.00
Advertising/Public Awareness	5142	0.00	3,225.00	0.00	-3,225.00
Public Information Update	5143	0.00	0.00	0.00	0.00
Meeting Room Rentals	5181	0.00	0.00	0.00	0.00
Equipment Lease	5191	2,615.00	0.00	0.00	2,615.00
Office Supplies	5250	214.00	0.00	0.00	214.00
Mailing/Postage	5265	2,000.00	27.00	0.00	1,973.00
Memberships	5270	1,892.50	0.00	0.00	1,892.50
Subscriptions	5280	1,892.50	0.00	0.00	1,892.50
Consultant/Professional Fees	5300	35,285,380.03	98,261.84	13,660,636.64	21,526,481.55
Legal Fees	5340	67,936.00	0.00	0.00	67,936.00
Administrative Consultants	5350	0.00	0.00	0.00	0.00
Passthru/Contrib-Othr Agencies	5600	0.00	25,868.29	19,202.68	-45,070.97
Printing and Reproduction	5700	29,350.00	4,937.71	0.00	24,412.29
Graphics	5701	0.00	3,467.50	0.00	-3,467.50
Commtee Member's Stipend	5703	12,500.00	0.00	0.00	12,500.00
Insurance	5751	5,000.00	0.00	0.00	5,000.00
Miscellaneous	5755	13,500.00	0.00	0.00	13,500.00
Indirect Costs	5763	1,106,480.39	270,008.88	0.00	836,471.51
Revenue:		39,008,792.00	996,188.82	0.00	38,012,603.18
Expenses:		39,008,792.00	996,476.10	13,680,705.32	24,331,610.58
Net:		0.00	-287.28	-13,680,705.32	13,680,992.60

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Report: GLBUDACT_MTC_PROGRAMFUND

Time: 11:09:07

Ledger: GL

Budget to Actual by Program

Period: 4

Report Date:10/31/2017

(with Encumbrances)

Budget Version: OB

Fiscal Year:2018

Budget Level: OB

Program: 1721 BayRen

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Revenue - DOE	4020	641,970.00	44,078.44	0.00	597,891.56
Revenue - Cal Energy Com	4224	32,803.00	8,460.43	0.00	24,342.57
Revenue - CPUC	4225	16,862,131.00	3,233,885.74	0.00	13,628,245.26
Interest Income - Other	4846	0.00	747.74	0.00	-747.74
Miscellaneous	4950	0.00	0.00	0.00	0.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	249,593.00	61,549.31	0.00	188,043.69
Temporary Agency	5046	0.00	0.00	0.00	0.00
Payroll Allocations Suspense	5098	0.00	0.00	0.00	0.00
Benefits	5099	132,834.00	51,388.67	0.00	81,445.33
Travel Expense	5100	5,500.00	198.99	0.00	5,301.01
Meals	5105	0.00	0.00	0.00	0.00
Conference/Trning Exps & Fees	5130	1,000.00	1,917.81	0.00	-917.81
Communications	5150	0.00	0.00	0.00	0.00
Office Supplies	5250	0.00	0.00	0.00	0.00
Mailing/Postage	5265	0.00	0.00	0.00	0.00
Memberships	5270	150.00	0.00	0.00	150.00
Subscriptions	5280	150.00	102.38	0.00	47.62
Consultant/Professional Fees	5300	8,036,996.00	1,582,536.35	1,983,264.34	4,471,195.31
Legal Fees	5340	9,441.00	0.00	0.00	9,441.00
Single Family Incentive	5411	5,100,000.00	1,069,150.00	2,604,260.00	1,426,590.00
Multi Family Incentive	5412	3,750,000.00	464,250.00	3,262,500.00	23,250.00
Passthru/Contrib-Othr Agencies	5600	0.00	0.00	0.00	0.00
Printing and Reproduction	5700	700.00	0.00	0.00	700.00
Bank Service Charges	5750	0.00	747.74	0.00	-747.74
Miscellaneous	5755	76,000.00	837.21	0.00	75,162.79
Indirect Costs	5763	174,540.00	54,526.44	0.00	120,013.56
Revenue:		17,536,904.00	3,287,172.35	0.00	14,249,731.65
Expenses:		17,536,904.00	3,287,204.90	7,850,024.34	6,399,674.76
Net:		<u>0.00</u>	<u>-32.55</u>	<u>-7,850,024.34</u>	<u>7,850,056.89</u>

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Current Date: 12/22/2017

Report: GLBUDACT_MTC_PROGRAMFUND

Time: 11:09:07

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Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 411 Balance Foundation

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int Income - LAIF	4801	0.00	156.87	0.00	-156.87
Interest Income - Other	4846	0.00	3.49	0.00	-3.49
Revenue - Donation	4941	0.00	18,500.00	0.00	-18,500.00
Miscellaneous	4950	0.00	9,300.00	0.00	-9,300.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Temporary Agency	5046	0.00	600.00	0.00	-600.00
Advertising/Public Awareness	5142	0.00	500.00	0.00	-500.00
Memberships	5270	0.00	4,000.00	0.00	-4,000.00
Consultant/Professional Fees	5300	0.00	27,692.50	0.00	-27,692.50
Financial Ad Fees	5310	0.00	4,000.00	0.00	-4,000.00
Audit	5717	0.00	0.00	630.00	-630.00
Bank Service Charges	5750	0.00	40.00	0.00	-40.00
Miscellaneous	5755	0.00	20.00	0.00	-20.00

Revenue:	0.00	27,960.36	0.00	-27,960.36
Expenses:	0.00	36,852.50	630.00	-37,482.50
Net:	0.00	-8,892.14	-630.00	9,522.14

Budget to Actual by Fund

Ledger: GL
Report Date: 10/31/2017
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(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Fund 421 San Francisco Bay Tr

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Interest Income - Other	4846	0.00	1.06	0.00	-1.06
Revenue - Souvenir Sales	4940	0.00	1,978.19	0.00	-1,978.19
Revenue - Donation	4941	12,300.00	8,131.54	0.00	4,168.46

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Meals	5105	1,300.00	0.00	0.00	1,300.00
Advertising/Public Awareness	5142	0.00	5,506.80	0.00	-5,506.80
Mailing/Postage	5265	500.00	0.00	0.00	500.00
Memberships	5270	1,750.00	0.00	0.00	1,750.00
Subscriptions	5280	1,750.00	0.00	0.00	1,750.00
Printing and Reproduction	5700	2,000.00	0.00	0.00	2,000.00
Audit	5717	0.00	0.00	630.00	-630.00
Bank Service Charges	5750	0.00	50.00	0.00	-50.00
Miscellaneous	5755	5,000.00	0.00	0.00	5,000.00

Revenue:	12,300.00	10,110.79	0.00	2,189.21
Expenses:	12,300.00	5,556.80	630.00	6,113.20
Net:	0.00	4,553.99	-630.00	-3,923.99

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Budget to Actual by Fund
(with Encumbrances)

Period: 4
Budget Version: OB
Budget Level: OB

Fund 431 ABAG Finance Corpora

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Interest Income - Other	4846	0.00	1.08	0.00	-1.08
Financial Services Revenue	4953	0.00	86.00	0.00	-86.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Audit	5717	0.00	0.00	630.00	-630.00
Miscellaneous	5755	0.00	20.00	0.00	-20.00

Revenue:	0.00	87.08	0.00	-87.08
Expenses:	0.00	20.00	630.00	-650.00
Net:	0.00	67.08	-630.00	562.92

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Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 441 SF Bay Restoration

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
4620 Measure AA special tax	4620	0.00	0.00	0.00	0.00
Interest Income - Other	4846	0.00	15.78	0.00	-15.78
Miscellaneous	4950	555,700.00	0.00	0.00	555,700.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	17,502.00	7,663.98	0.00	9,838.02
Benefits	5099	9,314.49	6,489.73	0.00	2,824.76
Travel Expense	5100	9,000.00	0.00	0.00	9,000.00
Office Supplies	5250	700.00	0.00	0.00	700.00
Consultant/Professional Fees	5300	489,432.04	0.00	0.00	489,432.04
Printing and Reproduction	5700	0.00	0.00	0.00	0.00
Commtee Member's Stipend	5703	5,000.00	100.00	0.00	4,900.00
Audit	5717	0.00	0.00	3,000.00	-3,000.00
Bank Service Charges	5750	0.00	80.00	0.00	-80.00
Insurance	5751	12,500.00	0.00	0.00	12,500.00
Indirect Costs	5763	12,251.47	6,833.41	0.00	5,418.06
Revenue:		555,700.00	15.78	0.00	555,684.22
Expenses:		555,700.00	21,167.12	3,000.00	531,532.88
Net:		0.00	-21,151.34	-3,000.00	24,151.34

Ledger: GL
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Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 461 ABAG Power

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int/Disc - Fixed Agency Obligs	4800	12,000.00	0.00	0.00	12,000.00
Int Income - LAIF	4801	0.00	6,862.39	0.00	-6,862.39
Miscellaneous	4950	0.00	4,645.09	0.00	-4,645.09
Sale of Energy - Gas	4954	7,438,552.00	2,538,220.00	0.00	4,900,332.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	132,501.55	38,301.31	0.00	94,200.24
Salaries - Gross	5001	0.00	2,436.40	0.00	-2,436.40
Benefits	5099	70,517.45	32,001.97	0.00	38,515.48
Travel Expense	5100	1,000.00	0.00	0.00	1,000.00
Meals	5105	1,200.00	596.53	0.00	603.47
Subscriptions	5280	1,100.00	0.00	0.00	1,100.00
Consultant/Professional Fees	5300	18,400.00	0.00	0.00	18,400.00
Legal Fees	5340	10,000.00	1,000.00	0.00	9,000.00
Billing Agent Fees	5403	900.00	1,944.12	7,405.88	-8,450.00
Scheduling Agent Fees	5404	16,800.00	4,200.00	29,400.00	-16,800.00
Cost of Energy Used - Gas	5414	2,739,186.00	505,972.45	1,021,958.86	1,211,254.69
PG&E Passthrough	5603	4,355,605.00	854,937.46	3,500,667.54	0.00
Audit	5717	0.00	0.00	8,410.00	-8,410.00
Bank Service Charges	5750	9,500.00	2,352.96	0.00	7,147.04
Miscellaneous	5755	300.00	0.00	0.00	300.00
Indirect Costs	5763	92,942.00	33,942.40	0.00	58,999.60
Mailing/Postage	5906	600.00	0.00	0.00	600.00
Miscellaneous	5912	0.00	0.00	0.00	0.00

Revenue:	7,450,552.00	2,549,727.48	0.00	4,900,824.52
Expenses:	7,450,552.00	1,477,685.60	4,567,842.28	1,405,024.12
Net:	0.00	1,072,041.88	-4,567,842.28	3,495,800.40

Ledger: GL
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Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 471 ABAG Plan Administra

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Earned Premium	4942	2,154,141.00	1,077,070.48	0.00	1,077,070.52

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	601,577.47	130,452.68	0.00	471,124.79
Salaries - Gross	5001	0.00	2,804.15	0.00	-2,804.15
Temporary	5003	0.00	10,021.18	0.00	-10,021.18
Temporary Agency	5046	0.00	0.00	0.00	0.00
Benefits	5099	320,159.53	108,110.54	0.00	212,048.99
Travel Expense	5100	7,500.00	789.36	0.00	6,710.64
Meals	5105	0.00	2,372.03	0.00	-2,372.03
Conference/Trning Exps & Fees	5130	7,500.00	-126.86	0.00	7,626.86
Communications	5150	0.00	168.41	0.00	-168.41
Storage Rental	5184	0.00	1,736.00	868.00	-2,604.00
Auto Expense	5202	2,250.00	0.00	0.00	2,250.00
Memberships	5270	1,750.00	600.00	0.00	1,150.00
Subscriptions	5280	1,750.00	1,837.68	0.00	-87.68
Consultant/Professional Fees	5300	39,344.00	7,130.92	42,890.08	-10,677.00
Legal Fees	5340	30,000.00	0.00	0.00	30,000.00
Claims Consultants	5402	645,839.00	56,955.09	484,379.25	104,504.66
Actuarial Consultants	5413	30,000.00	0.00	0.00	30,000.00
Commtee Member's Stipend	5703	7,500.00	0.00	0.00	7,500.00
Audit	5717	32,000.00	0.00	16,820.00	15,180.00
Insurance	5751	0.00	41,486.93	0.00	-41,486.93
Miscellaneous	5755	5,000.00	20.00	0.00	4,980.00
Indirect Costs	5763	421,971.00	120,016.53	0.00	301,954.47
Revenue:		2,154,141.00	1,077,070.48	0.00	1,077,070.52
Expenses:		2,154,141.00	484,374.64	544,957.33	1,124,809.03
Net:		0.00	592,695.84	-544,957.33	-47,738.51

Ledger: GL
 Report Date: 10/31/2017
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Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 472 ABAG Plan General Li

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int/Disc - Fixed Agency Obligs	4800	386,369.87	129,988.26	0.00	256,381.61
Int Income - LAIF	4801	0.00	42,573.64	0.00	-42,573.64
Interest Income - Other	4846	0.00	7.79	0.00	-7.79
Gain/Loss Revaluation Investmt	4850	0.00	350,812.00	0.00	-350,812.00
Earned Premium	4942	4,497,000.00	5,909,853.00	0.00	-1,412,853.00
Claims Tail Assessment	4943	-640,909.00	0.00	0.00	-640,909.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Claims Below Deductible	5400	0.00	-201,594.42	0.00	201,594.42
Best Practices Services	5405	361,471.00	29,607.15	170,392.85	161,471.00
Sewer Loss Prevention	5406	85,000.00	13,000.00	0.00	72,000.00
Defensive Driver Training	5407	20,000.00	0.00	0.00	20,000.00
Risk Management Programs	5408	150,000.00	0.00	0.00	150,000.00
Risk Management Training	5410	98,000.00	-117.89	0.00	98,117.89
Interest Expense-Arbitrage	5654	730.05	0.00	0.00	730.05
Bank Service Charges	5750	0.00	136.52	0.00	-136.52
Insurance	5751	1,386,279.00	1,386,278.80	0.00	0.20
Revenue:		4,242,460.87	6,433,234.69	0.00	-2,190,773.82
Expenses:		2,101,480.05	1,227,310.16	170,392.85	703,777.04
Net:		2,140,980.82	5,205,924.53	-170,392.85	-2,894,550.86

Ledger: GL
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Budget to Actual by Fund
(with Encumbrances)

Period: 4
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 Budget Level: OB

Fund 473 ABAG Plan Property

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int/Disc - Fixed Agency Oblig	4800	4.00	0.00	0.00	4.00
Earned Premium	4942	1,432,364.00	1,168,677.00	0.00	263,687.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Adj to Claims Reserve	5401	350,000.00	0.00	0.00	350,000.00
Insurance	5751	1,195,925.00	1,195,236.58	0.00	688.42
Revenue:		1,432,368.00	1,168,677.00	0.00	263,691.00
Expenses:		1,545,925.00	1,195,236.58	0.00	350,688.42
Net:		<u>-113,557.00</u>	<u>-26,559.58</u>	<u>0.00</u>	<u>-86,997.42</u>

Ledger: GL
 Report Date: 10/31/2017
 Fiscal Year: 2018

Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 481 ABAG FAN

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int Income - LAIF	4801	0.00	7,707.89	0.00	-7,707.89
Interest Income - CalTrust	4804	0.00	6,157.97	0.00	-6,157.97
Interest Income - Other	4846	20,000.00	1,065.60	0.00	18,934.40
Gain/Loss on Sale of Equipment	4920	0.00	4,577.17	0.00	-4,577.17
Financial Services Revenue	4953	1,150,160.00	308,160.79	0.00	841,999.21

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	163,993.00	71,352.78	0.00	92,640.22
Salaries - Gross	5001	0.00	12,503.73	0.00	-12,503.73
Temporary	5003	0.00	15,126.99	0.00	-15,126.99
Temporary Agency	5046	40,000.00	24,191.92	15,808.08	0.00
Benefits	5099	87,277.00	59,417.35	0.00	27,859.65
Travel Expense	5100	0.00	0.00	0.00	0.00
Conference/Trning Exps & Fees	5130	0.00	252.25	0.00	-252.25
Advertising/Public Awareness	5142	0.00	0.00	0.00	0.00
Storage Rental	5184	0.00	2,068.00	1,034.00	-3,102.00
Mailing/Postage	5265	0.00	22.73	0.00	-22.73
Subscriptions	5280	0.00	699.95	2,080.00	-2,779.95
Consultant/Professional Fees	5300	271,250.00	135,006.82	414,766.11	-278,522.93
Legal Fees	5340	66,756.00	0.00	0.00	66,756.00
Commtee Member's Stipend	5703	0.00	0.00	0.00	0.00
Audit	5717	29,000.00	0.00	11,770.00	17,230.00
Bank Service Charges	5750	13,000.00	0.00	0.00	13,000.00
Miscellaneous	5755	22,000.00	0.00	0.00	22,000.00
Indirect Costs	5763	133,343.00	70,439.13	0.00	62,903.87
Revenue:		1,170,160.00	327,669.42	0.00	842,490.58
Expenses:		826,619.00	391,081.65	445,458.19	-9,920.84
Net:		343,541.00	-63,412.23	-445,458.19	852,411.42

Ledger: GL
 Report Date: 10/31/2017
 Fiscal Year: 2018

Budget to Actual by Fund
(with Encumbrances)

Period: 4
 Budget Version: OB
 Budget Level: OB

Fund 491 ABAG SHARP

REVENUE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Int/Disc - Fixed Agency Oblig	4800	0.00	4,170.33	0.00	-4,170.33
Int Income - LAIF	4801	0.00	8,770.73	0.00	-8,770.73
Interest Income - Other	4846	0.00	96.11	0.00	-96.11
Earned Premium	4942	98,164.00	339,500.00	0.00	-241,336.00

EXPENSE ACCOUNTS

<u>Object Description</u>	<u>Object</u>	<u>Budget</u>	<u>Actual</u>	<u>Encumbrance</u>	<u>Balance</u>
Salaries	5000	25,120.74	1,207.25	0.00	23,913.49
Benefits	5099	13,369.26	904.31	0.00	12,464.95
Travel Expense	5100	250.00	0.00	0.00	250.00
Conference/Trning Exps & Fees	5130	500.00	0.00	0.00	500.00
Communications	5150	695.00	0.00	0.00	695.00
Mailing/Postage	5265	125.00	0.00	0.00	125.00
Consultant/Professional Fees	5300	500.00	240.00	4,765.00	-4,505.00
Claims Below Deductible	5400	0.00	68,921.02	0.00	-68,921.02
Claims Consultants	5402	16,791.00	4,763.68	9,527.32	2,500.00
Sewer Loss Prevention	5406	50,000.00	2,408.89	0.00	47,591.11
Actuarial Consultants	5413	8,500.00	0.00	0.00	8,500.00
Printing and Reproduction	5700	300.00	0.00	0.00	300.00
Audit	5717	6,000.00	0.00	6,300.00	-300.00
Bank Service Charges	5750	0.00	445.53	0.00	-445.53
Insurance	5751	256,915.00	249,415.00	0.00	7,500.00
Miscellaneous	5755	750.00	0.00	0.00	750.00
Indirect Costs	5763	17,763.00	1,019.48	0.00	16,743.52
Revenue:		98,164.00	352,537.17	0.00	-254,373.17
Expenses:		397,579.00	329,325.16	20,592.32	47,661.52
Net:		-299,415.00	23,212.01	-20,592.32	-302,034.69

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Date: January 11, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **ABAG Contracts between \$20,000 and \$50,000 from July to October 2017**

No contracts between \$20,000 and \$50,000 were approved from July to October 2017.

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

Recommended Action

The Finance Committee is requested to accept the staff report.


Steve Heminger

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Date: January 11, 2018
To: ABAG Finance Committee
From: Executive Director
Subject: **Report on Investments for November 2017**

In accordance with the adopted investment policy, attached are the investment holdings as of November 30, 2017 for ABAG and all its operating units.

Total funds under ABAG management are just under \$75 million. A breakdown by fund is as follows:

<u>Fund</u>	<u>Market Value (\$ million)</u>	<u>% of Total</u>
ABAG Admin	\$ 5.8	7.8%
ABAG BayRen	2.4	3.2%
ABAG Balance Foundation	0.1	0.1%
San Francisco Bay Trail	0.1	0.1%
ABAG Finance Corp	Less than 0.1	Less than 0.1%
San Francisco Bay Restoration Authority	Less than 0.1	Less than 0.1%
ABAG Power	3.4	4.5%
ABAG Plan	47.7	63.8%
ABAG Fin Auth Non Profit (FAN)	4.3	5.8%
ABAG SHARP	4.8	6.5%
ABAG FAN CFD 2007 Windemere	0.2	0.3%
ABAG FAN CFD 690 & 942 Market St	1.1	1.5%
ABAG FAN CFD SF Mint	0.3	0.5%
ABAG FAN CFD 2014 & 2017 Windemere	2.9	3.9%
ABAG FAN CFD SF Rincon	1.5	2.0%
Portfolio Total	<u>\$ 74.8</u>	<u>100.0%</u>

70% of the current portfolio consists of assets owned by the Plan and SHARP operations. The Plan and SHARP assets will be transferred to a new administrator subject to a new operating agreement. We are in the process of completing this transfer.

Report on Investment for November 2017

January 11, 2018

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The portfolio breakdown is as follows:

<u>Security Holding</u>	<u>Portfolio Composite</u>	<u>Policy Limits</u>
Fed Home Loan Bank	6.6%	No limit
Fed Home Loan Mortgage	5.3%	No limit
Fed National Mortgage Association	23.6%	No limit
Cash	20.1%	No limit
Gov't Pools	32.6%	No limit
CalTrust Medium-Term Fund	1.4%	No limit
Certificates of Deposit	2.3%	10% of portfolio
Mutual Funds (Trustee)	8.1%	Trustee Funds - No limit
Portfolio Total	100.0%	

Liquidity Summary of ABAG Portfolio


Maturity	Market Value (\$ million)	% of Total Portfolio	Cumulative Minimum Level per ABAG Investment Policy
30 days or less	\$ 45.5	61%	10%
90 days or less	45.5 cumulative	61% cumulative	15%
1 year or less	45.7 cumulative	61% cumulative	30%
1-5 years	29.1	39%	

The weighted maturity of the ABAG portfolio is 376 days.

If there are any questions, please contact Brian Mayhew at (415) 778-6730.

Recommended Action

The Finance Committee is requested to accept the staff report.


Steve Heminger

Attachment

Investment Report

ABAG
Summary by Type
November 30, 2017
Grouped by Fund

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: ABAG ADMIN						
Passbook/Checking Accounts	2	3,621,351.74	3,621,351.74	4.84	0.002	1
Local Agency Investment Funds	1	2,215,007.80	2,215,007.80	2.96	1.172	1
Subtotal	3	5,836,359.54	5,836,359.54	7.80	0.446	1
Fund: ABAG BAYREN						
Passbook/Checking Accounts	1	2,386,086.38	2,386,086.38	3.19	0.100	1
Subtotal	1	2,386,086.38	2,386,086.38	3.19	0.100	1
Fund: ABAG BALANCE FOUNDATION						
Passbook/Checking Accounts	1	17,815.21	17,815.21	0.02	0.000	1
Local Agency Investment Funds	1	58,171.10	58,171.10	0.08	1.172	1
Subtotal	2	75,986.31	75,986.31	0.10	0.897	1
Fund: SAN FRANCISCO BAY TRAIL						
Passbook/Checking Accounts	2	136,105.34	136,105.34	0.18	0.000	1
Subtotal	2	136,105.34	136,105.34	0.18	0.000	1
Fund: ABAG FINANCE CORP						
Passbook/Checking Accounts	1	25,935.20	25,935.20	0.03	0.000	1
Subtotal	1	25,935.20	25,935.20	0.03	0.000	1
Fund: SF BAY RESTORATION AUTHORITY						
Passbook/Checking Accounts	2	45,617.26	45,617.26	0.06	0.000	1
Subtotal	2	45,617.26	45,617.26	0.06	0.000	1
Fund: ABAG POWER						
Passbook/Checking Accounts	1	840,711.70	840,711.70	1.12	0.000	1
Local Agency Investment Funds	1	2,542,330.43	2,542,330.43	3.40	1.172	1
Subtotal	2	3,383,042.13	3,383,042.13	4.52	0.881	1

ABAG
Summary by Type
November 30, 2017
Grouped by Fund

Page 2

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Fund: ABAG PLAN						
Passbook/Checking Accounts	2	6,708,483.14	6,708,483.14	8.96	0.000	1
Federal Agency Coupon Securities	9	27,000,000.00	26,550,904.00	35.48	1.372	986
Certificates of Deposit - Bank	4	1,000,000.00	1,000,784.50	1.34	1.375	536
Local Agency Investment Funds	1	13,468,822.10	13,468,822.10	18.00	1.172	1
Subtotal	16	48,177,305.24	47,728,993.74	63.78	1.125	564
Fund: ABAG FIN AUTH NONPROFIT						
Passbook/Checking Accounts	1	428,912.87	428,912.87	0.57	0.000	1
Mutual Funds - Custodial	1	1,037,624.63	1,029,417.45	1.38	1.590	1
Local Agency Investment Funds	1	2,855,562.20	2,855,562.20	3.82	1.172	1
Subtotal	3	4,322,099.70	4,313,892.52	5.77	1.156	1
Fund: ABAG SHARP						
Passbook/Checking Accounts	2	840,582.17	840,582.17	1.12	0.000	1
Certificates of Deposit - Bank	3	745,000.00	745,727.78	1.00	1.766	776
Local Agency Investment Funds	1	3,249,315.54	3,249,315.54	4.34	1.172	1
Subtotal	6	4,834,897.71	4,835,625.49	6.46	1.060	120
Fund: ABAG FAN CFD 2007 WINDEMERE						
Mutual Funds - Trustee	3	202,063.30	202,063.30	0.27	0.920	1
Subtotal	3	202,063.30	202,063.30	0.27	0.920	1
Fund: ABAG FAN CFD 690&942 MRKT ST						
Mutual Funds - Trustee	4	1,132,752.01	1,132,752.01	1.51	0.920	1
Subtotal	4	1,132,752.01	1,132,752.01	1.51	0.920	1
Fund: ABAG FAN CFD 2006-2 SF MINT						
Mutual Funds - Trustee	3	336,746.85	336,746.85	0.45	0.920	1
Subtotal	3	336,746.85	336,746.85	0.45	0.920	1
Fund: ABAG FAN CFD 2014&17 WINDEMERE						
Mutual Funds - Trustee	3	2,879,483.92	2,879,483.92	3.85	0.920	1

ABAG
Summary by Type
November 30, 2017
Grouped by Fund

Page 3

Security Type	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
Subtotal	3	2,879,483.92	2,879,483.92	3.85	0.920	1
Fund: ABAG FAN CFD 2006-1 SF RINCON						
Mutual Funds - Trustee	5	1,511,958.32	1,511,958.32	2.02	0.920	1
Subtotal	5	1,511,958.32	1,511,958.32	2.02	0.920	1
Total and Average	56	75,286,439.21	74,830,648.31	100.00	1.007	369 *

* Average Days to Maturity of the CALTRUST MEDIUM-TERM FUND is 822 days

The adjusted Average Days to Maturity of the ABAG Portfolio is 376 days

ABAG
Summary by Issuer
November 30, 2017

Issuer	Number of Investments	Par Value	Market Value	% of Portfolio	Average YTM 365	Average Days to Maturity
1ST FIN BK USA	1	248,000.00	246,920.95	0.33	1.550	679
ALLY BANK	1	250,000.00	250,123.00	0.33	1.150	374
BLK ROCK T-FUND TRUSTEE	18	6,063,004.40	6,063,004.40	8.10	0.920	1
BANK OF THE WEST ANALYZED CKG	9	11,878,820.60	11,878,820.60	15.87	0.000	1
BANK OF THE WEST BUS INT CKG	3	718,355.81	718,355.81	0.96	0.010	1
BK OF THE WEST MONEY MKT ADV B	1	65,160.00	65,160.00	0.09	0.000	1
BANK OF THE WEST MONEY MKT PLU	1	3,178.22	3,178.22	0.00	0.030	1
BANK OF THE WEST MONEY MKT SEL	1	2,386,086.38	2,386,086.38	3.19	0.100	1
CALTRUST MED TERM FD	1	1,037,624.63	1,029,417.45	1.38	1.590	1 *
FEDERAL HOME LOAN BANK	1	5,000,000.00	4,945,975.00	6.61	1.020	539
FEDERAL HOME LOAN MTG CORP	2	4,000,000.00	3,976,928.00	5.31	1.375	986
FEDERAL NATIONAL MTG ASSN	6	18,000,000.00	17,628,001.00	23.56	1.468	1,110
GE CAPITAL RETAIL BANK	1	247,000.00	248,639.83	0.33	2.150	563
HSBC BANK USA NA	2	500,000.00	500,334.00	0.67	1.600	1,082
LOCAL AGENCY INVESTMENT FUND	6	24,389,209.17	24,389,209.17	32.59	1.172	1
MB FINANCIAL BANK	1	250,000.00	250,371.50	0.33	1.150	312
SALLIE MAE BANK	1	250,000.00	250,123.00	0.33	1.600	374
Total and Average	56	75,286,439.21	74,830,648.31	100.00	1.007	369 *

* Average Days to Maturity of the CALTRUST MEDIUM - TERM FUND is 822 days

The adjusted Average Days to Maturity of the ABAG Portfolio is 376 days



Date: January 11, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Audited Financial Reports for FY 2016-17**

Audited Financial Reports for FY 2016-17

Our independent auditors, Maze & Associates, issued an unqualified opinion on the ABAG financial statements. ABAG's financial statements present fairly, in all material respects, the financial position of ABAG at June 30, 2017 and the financial transactions for the fiscal year July 1, 2016 through June 30, 2017.

Financial highlights of the year include the following:

- The Association's Total Assets were \$29.5 million at June 30, 2017. At June 30, 2016, Total Assets were \$38.8 million. Total Assets include Cash and Cash Equivalents of \$6 million (down \$1.6 million from the prior year), Federal, State and Local Grants Receivables of \$16.3 million (down \$13.4 million from the prior year), Interest Receivables of \$6,000 (up \$3,000), Prepaid Expenses and Other of \$641,000 (up \$311,000), and Capital Assets net of Accumulated Depreciation of \$5.9 million (up \$4.8 million).
- The increase in capital assets is the net result of the transfer of \$800,000 in non-depreciable tenant improvements at 375 Beale Street, San Francisco, funded by MTC, to depreciable facilities and improvements, the disposal of \$4.8 million of nearly fully depreciated assets (net book value \$56,000) from the prior Oakland Metro Center, and the acquisition of \$5 million of assets located at 375 Beale Street, and current year depreciation of \$162,000.
- The decrease of \$9.3 million in Total Assets is due primarily to the decrease in pass-through grants receivable for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program, and the increase in capital assets.
- Deferred Outflows and Inflows of Resources relate to Association's CalPERS employee pension plan, and are based on assumptions and estimates made by CalPERS. Deferred outflows of resources at June 30, 2017 were \$6.6 million, an increase of \$4.5 million over the prior year. The major factors of this increase were a cash contribution to the plan of

Audited Financial Reports for FY 2016-17

January 11, 2018

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\$2.7 million and recognition of a \$2.8 million difference between projected and actual earnings on pension plan investments.

- The Association's Total Liabilities were \$35.2 million at June 30, 2017. Major components include Accounts Payable of \$7 million, Retentions Payable of \$1.9 million, Other Accrued Liabilities of \$4.9 million, Unearned Revenue of \$6.1 million and Net Pension Liability of \$14.8 million. (up \$1.6 million over the prior year). Other Accrued Liabilities are San Francisco Estuary Partnership expenditures incurred prior to June 30, 2017, for which invoices were received after June 30, 2017. The decrease of \$12 million in Total Liabilities is due primarily to the decrease in consultant services and pass-through grants for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program.
- The Association's total program revenues were \$48.1 million in FY 2017, while total program expenses were \$43.3 million, yielding net program income of \$4.9 million. The major component of this net program income is \$5 million gain on exchange of capital assets. General revenues include \$2 million in Membership Dues, \$151,000 in unrestricted donations, and \$19,000 in interest income. Total increase in net position for the year was \$7.5 million. The Association's total net position at June 30, 2017 was a deficit of \$523,000. The Association's total net position in the previous fiscal year ended June 30, 2016 was a deficit of \$7.5 million.
- ABAG program and general revenues for FY 2017 were \$50.2 million, including \$9.2 million pass-through funds for vendors and rebate recipients. There were only minor program and general revenues for ABAG Finance Corporation, and BALANCE Foundation program and general revenues were \$10,000.
- ABAG program operating expenses for FY 2017 were \$43 million, including pass-through expenditures of \$9.2 million and consultant services of \$23.7 million. ABAG Finance Corporation operating expenses were \$1,000 and BALANCE Foundation operating expenses were \$311,000.
- The San Francisco Bay Restoration Authority received no revenue and expended \$1.3 million for services related to promoting Revenue Measure AA. The Authority ended the year with a net position of deficit of \$1.3 million. The deficit was covered by revenue from Measure AA, in fiscal year 2017-18.

Single Audit

The auditors issued their final Single Audit Report (under separate cover). The report does not contain any findings of questioned costs or failures of ABAG to comply with federal regulations that might result in a disallowance of significant costs claimed on federal grants.

Memorandum on Internal Controls

The auditors did not identify any deficiencies in internal controls that they considered to be material weaknesses. However, material weaknesses could exist that have not been identified. A financial statement audit includes consideration of internal controls over financial reporting for

Audited Financial Reports for FY 2016-17


January 11, 2018

Page 3

the purpose of expressing an opinion on the financial statements but is not for the purpose of expressing an opinion on the effectiveness of an entity's internal controls.

Recommended Action

The Finance Committee is requested to recommend Executive Board acceptance of the staff report of the Audited Financial Reports for FY 2016-17.



Steve Heminger

Attachments

Basic Financial Statements Year Ended June 2017

Single Audit Report Year Ended June 2017

Memorandum on Internal Control and Required Communications Year Ended June 2017

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**ASSOCIATION OF
BAY AREA GOVERNMENTS
BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSOCIATION OF BAY AREA GOVERNMENTS
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

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INDEPENDENT AUDITOR'S REPORT

The Executive Board
Association of Bay Area Governments
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit and each major fund of the Association of Bay Area Governments (Association), California, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit and each major fund of the Association as of June 30, 2017 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As of July 1, 2017, the Association merged with the Metropolitan Transportation Commission. See Note 10B for further discussion. The emphasis of this matter does not constitute a modification to our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Pleasant Hill, California
December 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Association of Bay Area Governments (Association) has issued the financial reports for fiscal year ending June 30, 2017 based on the provisions of the Government Accounting Standards Board Statement 34, "Basic Financial Statement and Management's Discussion & Analysis—for State and Local Governments," (GASB 34).

The 2017 financial statements reflect the adoption of Government Accounting Standards Board Statement 68 "Accounting and Reporting for Pensions" (GASB 68), which requires recognition on the Statement of Net Position the cumulative unfunded pension liability, and recognition of related expense in the Statement of Activities. As a result, the Association carries a deficit net position at June 30, 2017.

This discussion and analysis provides an overview of financial activities in the fiscal year and it should be read in conjunction with the accompanying financial statements.

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements include:

1. Statement of Net Position - provides information about the financial position of the Association, including assets, liabilities and net position. The difference between this statement and the traditional Balance Sheet is that net position (fund equity) is shown as the difference between total assets and total liabilities. A new feature on the Statement of Net Position is the presentation of deferred outflows and deferred inflows (deferrals). Deferrals are defined in GASB 65 as outflows and inflows of resources that have already taken place, but are not recognized as revenues and expenditures because they relate to a future period.
2. Statement of Activities - presents revenues, expenses and changes in net position for the fiscal year. It differs with the traditional Statement of Revenues and Expenses in that revenues and expenses directly attributable to operating programs are presented separately from investment income and financing costs.
3. Statement of Cash Flows - provides itemized categories of cash flows. This statement differs from the traditional Statement of Cash Flows in that it presents itemized categories of cash inflows and outflows instead of computing the net cash flows from operation by backing out non-cash revenues and expenses from net operating surplus/deficit. In addition, cash flows related to investments and financing activities are presented separately.

The Basic Financial Statements above provide information about the financial activities of the Association's three programs—ABAG, ABAG Finance Corporation and BALANCE Foundation, each in a separate column. Also presented is the San Francisco Bay Restoration Authority as a "discretely presented component unit."

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

Financial highlights of the year include the following:

- The Association's Total Assets were \$29.46 million at June 30, 2017. At June 30, 2016, total assets were \$38.75 million. Total Assets include Cash and Cash Equivalents of \$6.03 million (decline of \$1.64 million from the prior year), Federal, State and Local Grants Receivables of \$16.28 million (decline of 13.41 million from the prior year), Accounts Receivable of \$647 thousand at June 30, 2017 are composed of advances of \$226 thousand to the San Francisco Bay Restoration Authority, advances of \$276 thousand to other ABAG service programs, \$75 thousand instalment sale receivable, and \$70 thousand refund of adjusted payroll tax deposits. Capital assets of \$5.9 million (net of accumulated depreciation of \$641 thousand) include \$800 thousand in condominium improvements funded by the Metropolitan Transportation Commission. The decline of \$9.29 million in Total Assets is due primarily to the decline in unbilled receivables for the BayREN energy conservation rebate program and the San Francisco Estuary Partnership's integrated regional water management program.
- The Association's Total Liabilities at June 30, 2017 were \$35.2 million, composed of current liabilities of \$20 million and long term liabilities of \$15 million related to pension and employee benefits obligations of \$15 million. These long term obligations are described in detail in Notes 8 and 9 of the Basic Financial Statements.
- The Association's total program revenues were \$48.14 million, including a gain on sale of the Oakland office condominium other fixed assets of \$4.960 million. Total general revenues were \$2.13 million, including membership dues of \$1.96 million. Total program expenses were \$43.28 million yielding a total surplus for the year of \$6.99 million.
- The Association's total net position at June 30, 2017 was net deficit of \$523,970. The Unrestricted deficit was \$6,168,114 (inclusive of net Deferred Outflows and Inflows of Resources related to pensions of \$5,206,393), and Net Investment in Capital Assets was a positive \$5,644,144. This was an improvement in net position of \$6,988,335.
- The San Francisco Bay Restoration Authority had no revenue during the year, and expenditures of \$1,333,974. The ending net position of deficit \$1,331,833 was covered by loans from member agencies in July 2017.

NONCURRENT ASSETS

At June 30, 2017, the Association had noncurrent depreciable assets of \$5.86 million, an increase of \$4.80 million over the June 30, 2016 balance. Additions to depreciable capital assets were \$5.82 million and depreciation for the year was \$162 thousand. Additional details of the Association's capital assets are presented in Note 3 to the financial statements.

DEBT ADMINISTRATION

The Association's long-term obligation was decreased by a payment of \$78 thousand toward the \$294 thousand owed for the office improvement project at the beginning of the year. This left a balance of \$216 thousand for the office improvement project, of which \$83 thousand is classified as a current liability, payable within the next fiscal year. There was no new debt incurred. Additional details of the Association's long term obligation are presented in Note 4 to the financial statements.

ORGANIZATIONAL CHANGES

On May 19, 2016 and May 25, 2016, the governing bodies of ABAG and the Metropolitan Transportation Commission (MTC) voted to support full functional staff consolidation of the two agencies under the leadership of MTC Executive Director Steve Heminger, with future governance options to be discussed by the two boards two years after implementing the consolidation of staff.

On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and the consolidated MTC/ABAG staff will perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP) that had been previously performed by the ABAG staff. The newly created position of Deputy Executive Director for Local Government Services reports to the MTC Executive Director. ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission, along with all of its statutory roles and responsibilities as the region's Council of Governments.

On July 1, 2017 all members of the ABAG staff, excluding the ABAG Legal Counsel who retires January 5, 2018, were merged into the staff of MTC as new employees of MTC.

ABAG and the LCPs will continue to prepare annual budgets and work plans that are to be approved by the applicable MTC, ABAG and LCP policy bodies. ABAG shall retain ownership of all its existing assets and remains responsible for its outstanding liabilities, including unfunded pension liabilities and retiree medical for former ABAG employees who are now retired.

MAJOR PROGRAM INITIATIVES IN FY 2017 AND OUTLOOK FOR FY 2018

Planning and Research Programs

Over the last five decades, ABAG has steadily strengthened its practices as a leader of collaborative regional land use planning, expanding our range of partners, extending the breadth and depth of topics that are influenced by local and regional land use decisions, the Planning and Research Department continues to consolidate research and planning efforts to address sustainability, equity and resilience in the region. We completed our contributions to the update of *Plan Bay Area 2040*, including the development of forecasts and scenarios, and inclusion of an Action Plan for implementation of regional initiatives that are not transportation projects or programs *per se*.

ABAG added two additional priorities for *Plan Bay Area*, resilience and economic development. On the resilience front, federal funding helped us to develop long term recovery strategies related to earthquakes and flooding in partnership with local jurisdictions. On the economic development front, we addressed regional priorities in collaboration with economic development organizations and the regional prosperity consortium.

ABAG continued to support efforts to retain and enhance the qualities of our natural environment and agricultural lands through the Priority Conservation Areas (PCAs), San Francisco Bay Trail, and the San Francisco Bay Water Trail. We also facilitated coordination among the region's water districts and green business programs.

Working closely with local jurisdictions, Congestion Management Agencies (CMAs), and the Metropolitan Transportation Commission (MTC), ABAG's Planning and Research Department continued to provide planning assistance, research support, and institutional coordination for the implementation of Priority Development Area (PDAs), enhancement of open space and regional trails, housing production, and economic development.

Housing Production and Affordability

Planning and Research staff continued to initiate and support efforts to develop new funding sources for affordable housing and to remove obstacles to jurisdictions' implementation of local infill development objectives, continued to work with MTC to use existing resources to incentivize and support infill housing production, and continued to identify and publicize replicable local effective practices that address economic displacement due to new development.

Economic Development

Based on the regional economic development framework developed in 2014-2015, ABAG staff began the process of developing a Comprehensive Economic Development Strategy (CEDS) and formation of a Bay Area Regional Economic Development District (REDD) to support the implementation of identified priorities in Plan Bay Area 2040. Given the increasing investment opportunities in the region for the next couple of years, staff is working with local jurisdictions to support entitlement streamlining for projects within PDAs.

Resilience

ABAG's Resilience Program helps local jurisdictions build communities that can prosper and thrive in the face of ongoing natural stressors and unexpected shocks. Our priority concerns are the vulnerability of our region's housing stock to earthquakes, flooding and wildfires; the vulnerability of our interconnected utility infrastructure systems which underpin the region's economy; and the importance of collaborative regional resilience planning. ABAG's work priorities are:

- Publicize the Bay Area's risk landscape relative to all significant natural hazards, building on the extensive world-class work that has already been done on this topic throughout the region, while recognizing the unique issues facing each Bay Area community.

- Support member cities and counties in developing innovative local resilience plans that meet the requirements of a local hazard mitigation plan and are coordinated and integrated with other local plans.
- Introduce resilience perspectives, adaptive climate action, social justice measures, and disaster mitigation, into *Plan Bay Area 2040*.
- Foster a resilience community of practice in the Bay Area that identifies and develops local champions who have the opportunity to connect with one another, learn from each other, and have the tools to carry resilience work forward in their own jurisdictions and collectively for the region.
- Provide in-depth assistance to help member jurisdictions overcome the barriers of limited resources and technical expertise by developing resilience implementation tools and guidance, as well as providing technical assistance.
- Continue to promote the adoption of consensus regional resilience strategies emanating from ABAG's LP25 symposium in partnership with member cities and counties and key regional and state stakeholders.

Bay Trail/Water Trail, Open Space and Farmland Preservation

ABAG will continue to extend the Bay Trail and Bay Water Trail, expand public use of this great regional amenity, and strengthen political and financial support for its development and maintenance.

Priority Conservation Areas — Regional planning strategies can help protect and maintain our natural habitat, water resources, agricultural land, and open space. Priority Conservation Areas (PCAs) complement PDAs by identifying locations with high ecological, recreational, and economic value. To date, more than 100 locally selected PCAs populate this useful coordination framework. Adoption of *Plan Bay Area* set the stage for implementation activities, including:

- One Bay Area Grant (OBAG) PCA Grant Pilot Program: ABAG and MTC are assisting local jurisdictions and CMAs in implementing a \$10 million program to support projects in PCAs; administering \$5 million directly in North Bay counties and \$5 million through the California Coastal Commission for the rest of the Bay Area.
- ABAG continues to work with jurisdictions and other stakeholders to evaluate and potentially establish additional PCAs.

San Francisco Bay Trail & San Francisco Bay Area Water Trail

The San Francisco Bay Trail is based on a visionary plan for a shared-use bicycle and pedestrian path along the shoreline that will one day allow continuous travel around San Francisco Bay, extending over 500 miles to link the shoreline of nine counties, passing through 47 cities and crossing seven toll bridges. Already, 340 miles have been completed and are in use. ABAG administers the project and provides regional leadership for its completion.

The San Francisco Bay Area Water Trail is a network of landing and launch sites for non-motorized small boats. ABAG plays a critical role implementing this new regional trail in partnership with BCDC, the California Division of Boating and Waterways and the lead agency and primary funder, the State Coastal Conservancy.

Major priorities for both include: manage planning and construction grants, and award new grants; expand partnerships with private corporations and other organizations for specific gap closures; participate in working groups addressing sea level rise, such as Adapting to Rising Tides, and provide input on climate action plans; cultivate legislative champions; expand coverage of the mobile phone tours app; designate and improve Water Trail sites; publish project updates and participate in trail dedications and other public events; public outreach to promote trail usage and support environmental education, public health and tourism.

Regional Social, Economic, and Land Use Research

ABAG research staff completed the regional level forecast of household formation and employment growth, and worked with the Interagency Modeling Group to prepare the land use analysis and develop alternative scenarios for the SCS environmental assessment.

Modeling, Forecasting, and Trend Analysis

ABAG research staff finalized documentation of the forecast for *Plan Bay Area 2040*. ABAG staff completed an Economic Profile for the Bay Area as part of efforts to create a Regional Economic Development District. Staff also worked with USGS on an analysis of Economic impacts of an earthquake along the Hayward fault.

Resources for Mapping

Research staff continues to enhance tools and resources that allow policy makers and the public to visualize important information about regional growth. In Fiscal Year 16-17, the work included upgrade of system software and GIS application software; further work on the searchable catalogue of GIS resources; convert existing map applications to new APIs; and using the upgraded platform for the PDA showcase update with many new features. Staff also created shape files for an inventory of all housing sites identified in local Housing Elements.

Intergovernmental Coordination

In its core role as convener of inter-governmental and cross-sector collaborations to plan regionally and to coordinate implementation of regional plans, ABAG will continue to act as the administrative sponsor for the Joint Policy Committee, the Regional Planning Committee, Regional Airport Planning Committee and the Environmental Information Clearinghouse. We will also continue to provide leadership and administrative support for the numerous collaboratives mentioned earlier in the Planning and Research work program, including San Francisco Bay Trail Board, San Francisco Water Trail Advisory Committee, East Bay Corridors working groups, and the Bay Area Planning Directors Association.

Over the last five decades, ABAG has steadily strengthened its practices as a leader of collaborative regional land use planning, expanding our range of partners, extending the breadth and depth of topics that are influenced by local and regional land use decisions, the Planning and Research Department continues to consolidate research and planning efforts to address sustainability, equity and resilience in the region. We began the update of *Plan Bay Area 2017*, including the development of forecasts and scenarios.

FISCAL MANAGEMENT SERVICES

ABAG provides fiscal management services to Bay Area public purpose entities and region-wide grant programs. Entities serviced are:

- SFEP – San Francisco Estuary Partnership
- POWER - ABAG Publicly Owned Energy Resources
- PLAN – ABAG Pooled Liability Assurance Network
- SHARP – ABAG Compensation SHARed Risk Pool
- FAN – ABAG Finance Authority for Nonprofit Corporations
- WETA – San Francisco Bay Area Water Emergency Transit Authority

These services include accounting, financial reports, cash management, investments, debt issuance, grants management, and other related financial support services. ABAG discontinued financial services to WETA June 30, 2017. A complete financial report for the entities listed may be viewed in the Basic Financial Statements issued for each separate entity.

SAN FRANCISCO ESTUARY PARTNERSHIP (SFEP)

The San Francisco Estuary Partnership (SFEP) and its cooperating agencies and organizations both initiated, and continued work on a wide array of projects and activities in support of the Partnership's mandate: To protect, enhance, and restore the San Francisco Bay-Delta Estuary by implementing the *Estuary Blueprint*.

The Partnership has:

- Almost three years in the making, the 2016 Comprehensive Conservation and Management Plan is now complete. The 2016 CCMP (or Estuary Blueprint) was officially released on September 21, 2016, during National Estuaries Week.
- Completed all projects in the “Estuary 2100 I” suite of projects. This EPA grant has been open for 8 years and funded 16 projects across the San Francisco Bay region. The total funding award was \$4,922,000 and included over \$5,800,000 of match for a total project cost of \$10,746,429.
- Completed the “Flood 2.0” project, a four-year innovative regional project to integrate habitat improvement and flood risk management at the Bay-channel interface.
- Released “Pumpout Nav,” a free smartphone app for boaters to find nearest pumpouts, report non-operable pumpouts, and access information about pollution prevention and sewage management.

- Created two brochures for city managers, council members, and staff on the opportunities offered by nature-based infrastructure, including Green Streets and Natural Shoreline Solutions. The two full-color brochures explain the advantages of nature-based solutions, provide online resources, and offer case studies within the region to demonstrate the real world applicability of these approaches.
- Continued public outreach efforts with the 23rd year of publication of our award-winning *Estuary* news magazine.
- Received additional funding from EPA's Climate Ready Estuaries program and launched new project to develop a regional transition zone mapping methodology and implement a pilot project to advance environmental justice principles with transition zone adaptation strategies

New and ongoing projects include:

- Produced the highly successful State of the Estuary Conference. The Conference was held in October 2016 with over 850 attendees.
- Continue and expand SFEP's Clean Vessel Act Program with funding from California Parks and Recreation's Department of Boating and Waterways.
- Tracking progress of Estuary Blueprint actions and developing communication tools to keep public and partners informed.
- Participate in the Resilient By Design challenge as part of the Research Advisory Committee.
- Provide a portion of the staff of the San Francisco Bay Restoration Authority, a regional agency charged with collecting and distributing parcel tax money from Measure AA for projects to restore, enhance and protect wetlands and wildlife habitat in San Francisco Bay and along its shoreline, and associated flood management and public access infrastructure. The first round of projects will be funded in 2018.
- Organize the highly successful Bay Delta Conference, again partnering with the Delta Science Program. The Conference will be held in October, 2018.
- Work with partners to develop a Wetland Regional Monitoring Program for the San Francisco Bay through a new grant awarded by EPA.
- Advance watershed redesign, tidal wetlands restoration, and urban greening efforts in the South Bay. Through this EPA Bay Water Quality Improvement Fund grant, SFEP and the San Francisco Estuary Institute is working with 15 partner organizations to demonstrate how resilience to climate change can be enhanced through implementation of multi-benefit environmental projects.
- Continue to manage a suite of projects as part of the Integrated Regional Water Management grants funded under California Proposition Bond Funds via the Department of Water Resources.
- Manage the Urban Greening Bay Area project to promote widespread Green Streets implementation.

ABAG PUBLICLY-OWNED ENERGY RESOURCES (POWER)

ABAG POWER is a joint powers agency (JPA) formed by ABAG in 1997 to acquire energy on behalf of local governments, as well as provide energy management and telecommunication services.

ABAG POWER currently offers natural gas aggregation to 38 local governments and special districts in the Pacific Gas and Electric (PG&E) service territory. ABAG POWER provides a public sector approach to pooled purchasing, and each public agency is guaranteed a voice in program operations and decisions through its representative to the ABAG POWER Board of Directors and Executive Committee.

ABAG POWER purchases natural gas on behalf of members and arranges for it to be delivered to the PG&E system for distribution. The goal of ABAG POWER's Natural Gas Program is to provide both cost savings and price stability. Current goals and objectives include:

- Continue to provide cost effective natural gas aggregation and delivery services for local governmental agencies. This will include active solicitations among natural gas marketers, and the addition of new gas suppliers, as necessary, to continue receiving the most competitive pricing.
- The ABAG POWER Executive Committee will continue to discuss and analyze refinements to the general gas purchasing strategy, including fixed-price product allocations, in order to meet program goals related to cost savings and price stability.
- Continue to encourage additional participants in both the core, and noncore programs that supply larger facilities. Qualified, noncore customers can take advantage of lower gas transportation rates that are not available to PG&E customers. ABAG POWER currently supplies gas to three noncore facilities (City of Santa Rosa, City of Watsonville, and County of San Mateo).

Financial highlights of the year include the following:

- Total assets were \$3.2 million at June 30, 2017 a decrease of \$684,000 from the June 30, 2016 balance. The major factor in the decrease in assets was a \$787,000 decrease in cash, which parallels a decrease in unearned revenue of \$776,000. Because we attempt to match billings to members with the cost of gas provided, the decrease in unearned revenue is a positive action.
- Total revenues were \$7.1 million in fiscal year 2017, compared to \$5.7 million in fiscal year 2016. The increase in revenue is a result of higher unit cost of natural gas purchases. Revenues include earnings on cash held in LAIF and banks of \$21,102 in fiscal year 2017 and \$14,664 in fiscal year 2016.
- The net position remained at zero at June 30, 2017. POWER's financial reporting model reflects all surpluses and deficits as liabilities to or receivables from members.
- General and administrative expenses for fiscal year 2017 were \$336 thousand, a decrease of \$23 thousand from the prior year. This decrease is due to lower administrative expense payments to ABAG.

Program Outlook for Fiscal Year 2018

Futures contracts show that gas prices are expected to remain in the \$3.00 - \$3.50/Dth range for the next couple of years, even with an expectation of a colder than normal winter. This reflects a situation where gas supply is expected to remain ahead of demand.

However, there are many factors that can cause significant gas price volatility, including: abnormal weather patterns, increased demand from industry and/or gas powered electric generators, restrictions in gas transportation capacity and/or imports, the price of oil, regulatory actions, political instability, and the rise of gas exports. In addition, an increased focus on environmental issues has initiated regulatory actions that emphasize the use of electricity over natural gas thus lowering the demand for gas appliances, and thus moderating gas costs. Conversely, regulatory actions also have the potential to increase costs for using petroleum products, including natural gas. Ultimately, the business objective of ABAG POWER is to offer a reliable energy source at stable prices. The program is deemed to be even more valued during periods of uncertainty.

Other ABAG Energy/Sustainability Initiatives

BayREN was initially approved as a pilot for two years, with a one year extension. The California Public Utilities Commission recently moved to a Rolling Portfolio and BayREN received funding through 2025. The four main program elements are:

1. Single Family Energy Retrofit

The BayREN Single Family Home Upgrade program is designed to reduce energy use in existing single family homes and 2-4 unit residences in the Bay Area. Program goals include improving the environment, helping homeowners save money by saving energy, increasing public awareness of energy efficiency co-benefits like improved comfort and indoor air quality, and stimulating green job growth. Homeowners can be eligible for rebates from \$1,000 to \$6,500 based upon the scope of work performed and associated energy savings, plus a \$300 home energy assessment rebate with an Advanced Home Upgrade. BayREN has paid approximately \$5 million in incentives to Bay Area homeowners.

2. Multi-family Energy Retrofit

The Bay Area Multifamily Building Enhancements ("BAMBE") program offers free technical consulting and rebates for energy efficiency in multifamily buildings with 5 or more attached dwelling units. Property owners may earn \$750 per dwelling unit for installing energy upgrades. The program has far exceeded its targets and has received over \$5 million dollars in additional funding from PG&E to satisfy the high demand for the program.

3. Energy Efficiency Codes and Standards

The BayREN Codes and Standards Program was established to address the role that local building policies, reviews, and inspections play in the energy use of buildings in the region. The Program provides resources and trainings for local planning and building departments to reduce energy consumption in buildings through improved enforcement of energy codes and greater adoption and implementation of green building ordinances.

4. Financing for Energy Efficiency Projects

The Property Assessed Clean Energy (PACE) financing program allows commercial property owners to pay the costs of upgrades as a separate assessment on the building tax roll and carry the costs as annual maintenance expense.

PAYS®

The BayREN Pay As You Save (PAYS®) pilots are helping municipal water utilities in the Bay Area use a tariff based on-bill repayment program to promote greater adoption of resource efficiency measures. PAYS allows water utility customers to receive water and energy saving measures (such as high efficiency toilets, shower heads, and drought-tolerant landscaping) at no up-front cost and pay for the measures over time through a surcharge on their water bill that is less than their utility cost savings.

BRICR. BayREN Integrated Commercial Retrofits (BRICR) is a DOE grant-funded program to utilize existing open source tools to improve energy efficiency in small and medium commercial buildings.

BEAT. Berkeley Energy Assurance Transformation (BEAT). ABAG provides assistance to the City of Berkeley to develop an innovative, scalable and replicable clean energy microgrid community model and case study.

Solar Ordinance Toolkit. ABAG/BayREN collaborate with the Bay Area Air Quality Management District (BAAQMD) and the Bay Area Regional Collaborative (BARC) to develop a toolkit and provide guidance for Bay Area cities and counties that are interested in requiring solar photovoltaic (PV) systems on new single-family and low-rise multifamily residential units.

Electric Vehicles (EV). ABAG remains active in the Bay Area EV Coordinating Council which provides coordination with other Bay Area Regional Agencies, as well as regulatory bodies and private industry.

MULTI-FAMILY CAPITAL ADVANCE PROGRAM

This financing program provides 50% of the financing at zero interest and is available for eligible owners of multifamily properties located with the BayREN region with at least 5 units, who undertake upgrade projects with a scope defined by the BayREN Multifamily retrofit program or the PG&E's multifamily program. The property owner is obligated to repay the total principal, and BayREN receives a pro rata share of each payment. The repaid funds are recycled to provide capital for additional projects.

INSURANCE POOL PROGRAMS

ABAG PLAN Corporation provides property, liability and crime insurance coverage to 29 cities and towns in the greater Bay Area under a pooled risk sharing agreement. The SHARP Program (Workers Compensation Shared Risk Pool) provides affordable Workers Compensation coverage to its participating members.

FISCAL YEAR 2017 FINANCIAL HIGHLIGHTS

PLAN's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2017 were \$46.6 million. At June 30, 2016, total assets were \$49.7 million.
- Total revenues, including program and general revenues, were \$9.2 million in FY 2017, total expenses were also \$9.2 million, yielding a small net surplus of \$34,000.
- Total net position remained at \$28.7 million at June 30, 2017.
- General Liability program operating revenues were \$5.6 million in FY 2017, Property Liability operating revenues were \$1.2 million, and Administration operating revenues were \$2.4 million.
- General Liability program operating expenses were \$5.8 million in FY 2017. Property Liability operating expenses were \$1.4 million, and Administration operating expenses were \$2 million.
- General revenues of \$2,075 were the net of income on investment of \$505,524 and unrealized loss in market value of securities of \$503,479. It is anticipated that securities held at June 30, 2017 will be held until maturity and that there will be no gain or loss upon their redemption.

General Liability net position was \$27 million at June 30, 2017, Property Liability net position was \$547,000, and Administration net position was \$1,346,000.

PLAN's Claims Settlement and Reserves for Claims

Above-deductible General Liability claims paid totaled \$6.2 million in FY 2017 compared to \$2.4 million during FY 2016. PLAN has experienced a slight reduction in claim frequency and has been very aggressive in reducing claim adjustment expenses. Prior fiscal year payouts were a function of the closure of more mature and higher valued claims. The reserve level for claims was decreased to \$16.7 million in FY 2017 from \$19.9 million in FY 2016. The decrease in reserves is primarily a function of an overall reduction in expected losses and a change in the ultimate loss forecast by PLAN's actuary.

Above-deductible Property claims paid in FY 2017 were \$381 thousand compared to \$435 thousand in FY 2016. Liability reserve for Property claims remained unchanged at \$350 thousand at June 30, 2017. PLAN property losses are stable as to frequency but severity is an ongoing concern for the group. The program deductible has increased from \$100k per occurrence to \$225k per occurrence causing the group to take on more self-insured exposure. The stop loss aggregate feature that provide some insulation is still in place but it, too, has increased from \$250k per program year to \$1M making it most valuable in catastrophic situations.

PLAN Program Initiatives in FY 2017 and Outlook for FY 2018

In 2017, PLAN invested \$905 thousand in its *Risk Management Best Practices Program*, which focuses on loss control and safety. In 2017 PLAN provided its members *Risk Management and Loss Control* consulting services, as well as, claims administration services that aligned with individualized strategic goals defined by each member. This year's focus was on Facilities Maintenance and Hazard Inspection Best Practices. In 2017, PLAN also continued its ongoing training efforts on contractual risk transfer (contracting risk).

PLAN's annual Sewer Summit continues to be a success; we had a record attendance this year and demand for this event continues to grow. Also successful and well attended was the Urban Forest Conference, with specific focus on drought and severe weather implications to our urban forest environment.

PLAN also conducted a "Risk Awareness Survey" which provided members with valuable information as it relates to safety and risk management temperament, behaviors and attitudes within our member agencies.

The outlook for FY 2017/18 continues to be bright. PLAN's financial performance continues to reflect ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintaining focus on core competencies, PLAN is also focused on further cost savings and has engaged in an agreement for Administrative Services with a private company (Bickmore) commencing January 2018. Following administrative transition to Bickmore, ABAG/MTC will no longer provide administrative or financial services to PLAN.

SHARP's financial highlights for the fiscal year include the following:

- Total assets at June 30, 2017 were \$4.9 million. At June 30, 2016, total assets were \$5.1 million. The decline in assets is largely due to claims payments in FY 2017 exceeding the addition to claim reserves. Claims paid in FY 2017 were \$453 thousand, and in FY 2016 claims paid were \$106 thousand.
- Total revenues, including program and general revenues, were \$693 thousand in FY 2017, total expenses were \$837 thousand. FY 2016 revenues were \$809 thousand and expenses were \$499 thousand. The net result of operations for FY 2017 was a loss of \$171 thousand, the net result of operations for FY 2016 was gain of \$220 thousand. The operating loss in FY 2017 is not necessarily an unfavorable outcome, as it follows a substantial gain in FY 2016, and the long term financial objective for SHARP is to balance revenue and expenses.
- Total Trust Fund net position at June 30, 2017 was \$3.9 million, and at June 30, 2016 the net position was \$4.0 million.
- Trust Administration Fund net position at June 30, 2017 was \$-2,799, and at June 30, 2016 the net position was \$33,261. Management believes the fund deficit will be recovered by an excess of revenue over expenses in FY 2018.

SHARP's Claims Settlement and Reserves for Claims

Claims payments totaled \$453 thousand during the year, compared to \$106 thousand in the prior year. This 429% increase is largely due to settlement of a 2016 death claim of \$400,000. The claim reserves were \$929 thousand as of June 30, 2017, an increase of \$7 thousand from prior year. Claim reserves are relatively stable, and claim frequency continues to be low for participating members. The SHARP program remains funded at a high actuarial confidence level.

SHARP's Program Initiatives and Economic Outlook

SHARP continues to promote Workplace Injury Prevention and Wellness as an integral part of its WC program. We continue to encourage the use of Best Practices (IIPP) and offer continuous training in Safety and Loss prevention to our members. Members also favor Wellness Programs to be offered to their employees.

The consolidation of all ABAG staff into the MTC organization and their Workers Compensation program created challenges to the SHARP pool with ABAG being one of five members. The consolidation will result in the departure of the ABAG entity from the SHARP program. The change in member participation rate impacts the program scale and proportionate distribution of risk and associated costs. The impacts are currently being evaluated by staff and program members but the Actuarial analysis is showing the impact to be less than originally thought. The outlook for FY 2017/18 continues to be bright. SHARP's financial performance continues to reflect ongoing efforts to reduce claim frequency and manage claim severity. In addition to maintaining focus on core competencies, SHARP is also focused on further cost savings and has engaged in an agreement for Administrative Services with a private company (Bickmore). Following administrative transition to Bickmore, in January 2018, ABAG/MTC will no longer provide administrative or financial services to SHARP.

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS

ABAG provides financial services to the ABAG Finance Authority for Nonprofit Corporations (FAN). FAN has been providing conduit financing to various public and private organizations throughout the state of California since 1978. Its Programs provide convenient, cost saving, and secure means to meet the capital financing needs of public agencies and their nonprofit partners serving the public interest. To date, FAN has provided over \$8 billion in low cost investment capital for projects in more than 240 local jurisdictions. FAN helps its Members to provide for construction of new hospitals and medical clinics, transit systems, affordable housing, schools, museums, water and wastewater systems, and other Member-owned infrastructure. FAN takes special focus on assisting in the construction and preservation of affordable housing, providing financing to date for nearly twelve-thousand units in nearly one-hundred affordable apartment communities.

Financial highlights of the year include the following:

- FAN'S total net position at June 30, 2017 was \$4.602 million, an increase of 1.6% over the June 30, 2016 balance of \$4.529 million. Assets decreased \$226,010 while liabilities decreased \$299,123. The major factor in the decrease of liabilities at June 30, 2017, was the payment of \$216,621 to the consultants who performed the forensic examination of FAN accounts following the 2014 embezzlement.
- FAN's total revenue, including program revenue, and general revenues were \$1.216 million in FY 2017, a decrease of 35% from FY 2016, due to a moratorium on new financing. Total expenses were \$1.142 million, an increase of 4% over FY 2016. These expenses consist largely of the salary and benefits of the Financial Services Director/Secretary to Executive Committee, the only fulltime employee assigned to FAN during the year, two consultant who performed marketing and accounting services, and temporary personnel who performed a comprehensive review of the FAN conduit debt portfolio.

Major Financing Activity in FY 2016-17

FAN coordinated the issuance of \$47,425,000 Refunding Revenue Bonds and \$12,460,000 Taxable Refunding Revenue Bonds, to refund the Windemere Ranch outstanding of the 2007 Senior Revenue Bonds, Series A.

FAN assisted the Crean Lutheran High School of Irvine in issuing \$33 million in tax-exempt financing to refund outstanding debt and raise new money to continue construction of existing facilities. FAN also assisted the Presidio Knolls School of San Francisco, California in issuing \$4.9 million in tax-exempt financing to refund an existing loan and to renovate existing facilities.

Outlook for FY 2017-18

The ABAG and MTC Boards have formed a new conduit financing authority, the Advancing California Financing Authority (ACFA) to conduct future conduit financing activity. FAN will continue servicing its outstanding portfolio of conduit loans, and continue to administer the four Community Facilities Districts and one Reassessment District that it currently administers.

LEGISLATIVE ACTIVITIES

The ABAG Legislation Committee (Leg Committee) is comprised of elected officials from the Bay Area's cities, towns, and counties. Through the Committee, ABAG is actively serving members by providing a platform for them to work collaboratively to better understand and influence legislation that impacts local governments throughout the region. Approximately 30 state bills were reviewed by the Committee during the 2016-17 Legislative Session.

ABAG's Leg Committee actively supported ABAG's integrated planning and sustainable community strategy through support of housing funding and reform legislation that was subsequently signed into law at the end of the 2017 session. The committee also supported Senator Mike McGuire's Water Bill Savings Act (SB 564), enabling legislation that would allow pooled bond financing to fund water efficiency improvements on a water utility customer's property. The bill was approved on October 2, 2017 and signed by the governor.

Committee activities throughout the year included policy briefings, a Legislative Workshop and Reception co-hosted by ABAG, California State Association of Counties (CSAC), and California Association of Councils of Governments (CALCOG) with MTC support, and face-to-face dialogues with legislators about Bay Area needs and challenges.

In 2018, ABAG and MTC will be working together on a joint legislative strategy that seeks to advance the underlying goals and action plan of *Plan Bay Area 2040* – the Bay Area's state-mandated Sustainable Communities Strategy – along with longstanding goals from prior advocacy programs. Legislative priorities identified in the draft 2018 joint advocacy program include funding for affordable housing, transportation infrastructure and resiliency; updating the housing planning process; streamlining project delivery; incentivizing transit-accessible housing development; lowering the cost to produce housing; supporting infrastructure resiliency; and North Bay fire recovery. The Leg Committee provided input to a draft 2018 joint advocacy agenda in November 2017 and is expected to vote on a final 2018 advocacy agenda in January 2018. Following committee-level action, a final 2018 joint advocacy program will be considered by the ABAG Executive Board and MTC Commission.

COMMUNICATIONS

The Communications Department worked with all departments to promote ABAG's mission and to inform and engage members. The group led a strategic campaign to expand the awareness and understanding of ABAG's programs and services and raise awareness of the benefits to local governments. The strategy was rolled out with streamlined program fact sheets and presentations before the ABAG Executive Board throughout Fall and Winter of 2016-2017.

Major efforts included production and management of regional conferences and workshops, publications, media relations, and web outreach centered on ABAG programs and services. Events included the Spring General Assembly in 2016, as well as a 2016 Special General Assembly on May 19th to discuss merger options and vote on a recommendation to the ABAG Executive Board, and a Special General Assembly in January 2017. The Communications group also worked with ABAG's Acting Executive Director and Planning staff to facilitate Delegate meetings in the region. Delegate meetings served as an important tool for information exchange and collaboration amongst cities within the counties. Communications also assisted with production of the Bay Area Confluence forum in November. Each of these events brought together more than 100 local elected officials.

In addition to facilitating these regional forums and other activities, monthly electronic newsletters with organizational updates, planning information, and program/service highlights were distributed. The revamped ABAG website was used to feature news announcements and twitter feeds. Updates on ABAG initiatives, programs, and services were consistently provided on the website. Overall outreach was expanded to facilitate better use of ABAG programs and services.

2016-17 Highlights

- Planned and coordinated General Assemblies (GA), including Special GAs in 2016 and 2017. Outreach and engagement for regional Plan Bay Area open houses in 2016 Spring/Summer.
- Produced regular news updates and twitter feeds on the ABAG website. Disseminated timely communications through extensive news blasts linking to conference proceedings and presentations.
- Also helped relaunch the ABAG Finance Authority with an all new website and collateral material.

2017-18 Goals

- Plan and coordinate General Assemblies, other regional forums, and county-wide Delegate meetings.
- Continue to expand the use of the website and social media to communicate with member cities, towns, and counties; key stakeholders; and the public. Facilitate access to ABAG programs, projects, initiatives, and resources using the website and social media.

- Continue to distribute a monthly electronic newsletter with updates and planning information. Secure media interviews with media outlets with high visibility.

SAN FRANCISCO BAY RESTORATION AUTHORITY

The San Francisco Bay Restorations Authority (Authority) is a regional agency with a Governing Board made up of local elected officials appointed by ABAG. Its purpose is to raise and allocate local resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in San Francisco Bay and along its shoreline.

In June 2016 voters passed Measure AA to fund the Authority and provide grant funds for restoration and enhancement of San Francisco Bay and its shoreline. The Authority will begin receiving Measure AA funds in fiscal year 2017-18. As it moves to establish and finalize policies and procedures to ensure efficient and effective use of Measure AA funds, the following tasks will be emphasized:

- Develop and adopt a multi-year workplan and budget.
- Develop procedures for financial reporting and fiscal oversight.
- Develop Citizens Oversight Committee Policies.
- Develop Request for Proposals guidelines.
- Develop a model contract and contracting procedures.

CONTACTING THE ASSOCIATION'S FINANCIAL MANAGEMENT

This financial report is intended to provide citizens, taxpayers, creditors, and stakeholders with a general overview of the Association's finances. Questions about this report may be directed to the MTC Finance Department, at 375 Beale Street, Suite 800, San Francisco, California 94105.

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ASSOCIATION OF BAY AREA GOVERNMENTS
STATEMENT OF NET POSITION
JUNE 30, 2017

	Association of Bay Area Governments	ABAG Finance Corporation	BALANCE Foundation	Total	SF Bay Restoration Authority
ASSETS					
Current Assets					
Cash and Investments (Note 2):					
Cash and Cash Equivalents	\$5,913,601	\$25,954	\$86,349	\$6,025,904	\$48,499
Receivables:					
Federal, State and Local Grants	16,283,817			16,283,817	
Interest	5,075		529	5,604	
Accounts	646,592			646,592	324,511
Prepaid Expenses and Other	641,409			641,409	
Total Current Assets	<u>23,490,494</u>	<u>25,954</u>	<u>86,878</u>	<u>23,603,326</u>	<u>373,010</u>
Noncurrent Assets					
Capital Assets, Net of Accumulated Depreciation (Note 3)	<u>5,860,144</u>			<u>5,860,144</u>	
Total Assets	<u>29,350,638</u>	<u>25,954</u>	<u>86,878</u>	<u>29,463,470</u>	<u>373,010</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to Pension (Note 8)	<u>6,613,550</u>			<u>6,613,550</u>	
Total Deferred Outflows of Resources	<u>6,613,550</u>			<u>6,613,550</u>	
LIABILITIES					
Current Liabilities					
Accounts Payable	6,946,821		1,000	6,947,821	596,581
Retentions Payable	1,918,534			1,918,534	
Compensated Absences (Note 1E)	46,328			46,328	
Other Accrued Liabilities	4,929,659			4,929,659	
Current Portion of Long-Term Obligation (Note 4)	82,543			82,543	
Unearned Revenue	6,115,284			6,115,284	
Due to Other Agencies					<u>1,108,262</u>
Total Current Liabilities	<u>20,039,169</u>		<u>1,000</u>	<u>20,040,169</u>	<u>1,704,843</u>
Noncurrent Liabilities					
Collective Net Pension Liability (Note 8)	14,749,850			14,749,850	
Net OPEB Obligation (Note 9)	270,357			270,357	
Long-Term Obligation, Net of Current Portion (Note 4)	<u>133,457</u>			<u>133,457</u>	
Total Noncurrent Liabilities	<u>15,153,664</u>			<u>15,153,664</u>	
Total Liabilities	<u>35,192,833</u>		<u>1,000</u>	<u>35,193,833</u>	<u>1,704,843</u>
DEFERRED INFLOWS OF RESOURCES					
Related to Pension (Note 8)	<u>1,407,157</u>			<u>1,407,157</u>	
Total Deferred Inflows of Resources	<u>1,407,157</u>			<u>1,407,157</u>	
NET POSITION (Note 7)					
Net Investment in Capital Assets	5,644,144			5,644,144	
Restricted					
Unrestricted	<u>(6,279,946)</u>	<u>25,954</u>	<u>85,878</u>	<u>(6,168,114)</u>	<u>(1,331,833)</u>
Total Net Position	<u>(\$635,802)</u>	<u>\$25,954</u>	<u>\$85,878</u>	<u>(\$523,970)</u>	<u>(\$1,331,833)</u>

See accompanying notes to basic financial statements

ASSOCIATION OF BAY AREA GOVERNMENTS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Association of Bay Area Governments	ABAG Finance Corporation	BALANCE Foundation	Total	SF Bay Restoration Authority
PROGRAM REVENUES					
Operating Grants and Contributions:					
Grants	\$39,444,969			\$39,444,969	
Subtotal	39,444,969			39,444,969	
Charges for Services:					
Reimbursements	3,703,596	\$126	\$9,990	3,713,712	
Other	4,976,728			4,976,728	
Subtotal	8,680,324	126	9,990	8,690,440	
Total Program Revenues	48,125,293	126	9,990	48,135,409	
PROGRAM EXPENSES					
Salaries and Related Benefits	7,727,538			7,727,538	
Consultant Services	23,703,777	570	297,663	24,002,010	\$225,022
Pass-through Awards	9,215,120			9,215,120	
Equipment, Maintenance and Supplies	67,827			67,827	
Outside Printing Costs	46,074		1,034	47,108	1,108,263
Conference and Meeting Costs	184,403		184	184,587	
Depreciation (Note 3)	162,043			162,043	
Building Maintenance	325,510			325,510	
Postage	10,526			10,526	
Insurance	145,817			145,817	
Telephone	61,915			61,915	
Utilities	3,509			3,509	
Committee	91,950			91,950	600
Other	1,176,153	610	12,228	1,188,991	89
Interest Expense	47,329	13		47,342	
Total Program Expenses	42,969,491	1,193	311,109	43,281,793	1,333,974
Net Program Income/(Loss)	5,155,802	(1,067)	(301,119)	4,853,616	(1,333,974)
GENERAL REVENUES					
Membership Dues	1,963,769			1,963,769	
Donations - Unrestricted	86,458		64,995	151,453	
Interest Income	17,644	21	1,832	19,497	40
Total General Revenues	2,067,871	21	66,827	2,134,719	40
Change in Net Position	7,223,673	(1,046)	(234,292)	6,988,335	(1,333,934)
Net Position-Beginning	(7,859,475)	27,000	320,170	(7,512,305)	2,101
Net Position-Ending	(\$635,802)	\$25,954	\$85,878	(\$523,970)	(\$1,331,833)

See accompanying notes to basic financial statements

ASSOCIATION OF BAY AREA GOVERNMENTS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

	Association of Bay Area Governments	ABAG Finance Corporation	BALANCE Foundation	Total	SF Bay Restoration Authority
CASH FLOWS FROM OPERATING ACTIVITIES					
Grant receipts	\$52,371,134			\$52,371,134	
Receipts from customers and members	5,520,523	\$126	\$79,054	5,599,703	
Payments to contractors and members	(48,297,339)	(1,633)	(332,441)	(48,631,413)	
Payments to employees	(10,795,847)			(10,795,847)	
Payments to committees	(91,950)			(91,950)	
Other receipts (payments)	4,976,728			4,976,728	
Receipts from Other Agencies					\$783,751
Payment to Vendors and Consultants					(737,393)
Net cash flows from operating activities	<u>3,683,249</u>	<u>(1,507)</u>	<u>(253,387)</u>	<u>3,428,355</u>	<u>46,358</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition and construction of capital assets	(5,015,497)			(5,015,497)	
Sale and disposal of capital assets	55,751			55,751	
Principal repayment of long-term obligations	(77,747)			(77,747)	
Interest paid	(47,329)	(13)		(47,342)	
Net cash flows from capital and related financing activities	<u>(5,084,822)</u>	<u>(13)</u>		<u>(5,084,835)</u>	
CASH FLOWS FROM INVESTING AND RELATED FINANCING ACTIVITIES					
Interest received	<u>15,585</u>	<u>21</u>	<u>1,645</u>	<u>17,251</u>	<u>40</u>
Net cash flows	(1,385,988)	(1,499)	(251,742)	(1,639,229)	46,398
Cash and cash equivalents at beginning of year	<u>7,299,589</u>	<u>27,453</u>	<u>338,091</u>	<u>7,665,133</u>	<u>2,101</u>
Cash and cash equivalents at end of year	<u>\$5,913,601</u>	<u>\$25,954</u>	<u>\$86,349</u>	<u>\$6,025,904</u>	<u>\$48,499</u>
Reconciliation of operating income to net cash provided by operating activities:					
Net Program Income (Loss)	\$5,155,802	(\$1,067)	(\$301,119)	\$4,853,616	(\$1,333,974)
Adjustments to reconcile net program loss to cash flows from operating activities:					
Depreciation	162,043			162,043	
Membership dues	1,963,769			1,963,769	
Donations - unrestricted	86,458		64,995	151,453	
Interest	47,329	13		47,342	
Change in assets and liabilities:					
Receivables	12,750,984		4,069	12,755,053	(324,511)
Prepaid expenses and other assets	(315,839)		5,000	(310,839)	
Accounts payable	(19,491,412)	(453)	(26,332)	(19,518,197)	596,581
Retentions payable	1,918,534			1,918,534	
Compensated absences	(484,339)			(484,339)	
Other accrued liabilities	4,532,009			4,532,009	
Unearned revenue	(58,119)			(58,119)	
Net OPEB obligation	(19,154)			(19,154)	
Due to retirement system	(2,564,816)			(2,564,816)	
Due to Other Agencies					1,108,262
Net cash flows from operating activities	<u>\$3,683,249</u>	<u>(\$1,507)</u>	<u>(\$253,387)</u>	<u>\$3,428,355</u>	<u>\$46,358</u>

See accompanying notes to basic financial statements

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ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association of Bay Area Governments (the Association) was established in 1961 by agreement among its members—counties and cities of the San Francisco Bay Area pursuant to the Joint Exercise of Powers Act, California Government Code Section 6500, et seq. The Association is a separate entity from its members and its purpose is to serve as a permanent forum to discuss and study matters of mutual interest and concern to member jurisdictions, develop policies and action plans, and provide services and undertake actions addressing such matters.

The Association is governed by a General Assembly comprised of elected officials from member cities and counties. The General Assembly appoints an Executive Board to carry out policy decisions, approve the annual budget, appoint an Executive Director, and report to the General Assembly.

A. Reporting Entity

The Association is a membership organization that provides a variety of planning and other service programs for its members.

The accompanying basic financial statements present the operations of the Association, which is the primary activity, along with the financial activities of its component units, which are entities for which the Association is financially accountable. Although they are separate legal entities, they are presented in the basic financial statements as either a blended component unit or discretely presented component unit.

Blended Component Units

Blended component units are in substance part of the Association's operations and are reported as an integral part of the Association's financial statements. The following component units are blended and are described below:

- ABAG Finance Corporation (Corporation) is a non-profit public benefit corporation created on June 24, 1985 that aids members in obtaining financing by acting as a conduit in the sponsorship of credit pooling arrangements. Participating members issue debt, leases or certificates of participation (COPs) that are pooled as a single issue by the Corporation. Members' payments are pooled to repay the debt and the assets leased become the property of the member when it has paid off its debt obligation.

The Corporation is governed by a sub-committee of the Association's Executive Board, which establishes financing policies and approves each credit pooling arrangement.

- BALANCE Foundation (BALANCE) is a non-profit, tax-exempt corporation created on September 22, 1987, established to assist Bay Area governments in obtaining funds to study, analyze and resolve regional issues. BALANCE is governed by a Board of Directors whose appointment is controlled by the Association.

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Discretely Presented Component Unit

A component unit is a legally separate organization for which elected officials of the primary entity are financially accountable. It can also be an organization whose relationship with the primary entity is such that exclusion would cause the reporting entity's financial statement to be misleading or incomplete. The Association has one discretely presented component unit, San Francisco Bay Restoration Authority.

- The San Francisco Bay Restoration Authority (Restoration Authority) was created by State legislation on September 30, 2008 to raise and allocate resources for the restoration, enhancement, protection, and enjoyment of wetlands and wildlife habitat in the San Francisco Bay and along its shoreline. The Restoration Authority is governed by a board that is appointed by the Association, yet is composed of members that are different from the Association's board.

Additional financial information for each component unit can be obtained at the Restoration Authority's administrative offices at 375 Beale Street, Suite 700, San Francisco, CA 94105, to the attention of Association of Bay Area Governments.

Other Affiliated Entities

Over the past two decades, the Association created a number of public purpose entities to offer various service programs. The financial activities of the entities are not included in these financial statements because these entities are not controlled by the Executive Board and the composition of their membership may be different than that of the Association. However, the Association has agreements with each of these entities to provide management, administrative and other support services. These entities and the service programs offered are described below:

- ABAG Pooled Liability Assurance Network (PLAN) Corporation provides risk management, liability coverage, claims management and loss prevention services for participating members of PLAN. The Association acts as PLAN's trustee, providing promotional, administrative and management support. On behalf of PLAN, the Association incurred expenses of \$1,326,698 for these services, and paid \$462,144 for contract services in the fiscal year ended June 30, 2017.
- ABAG Finance Authority for Non-profit Corporations (FAN) assists non-profit corporations and local governments in obtaining financing. The Association assists FAN in issuing tax-exempt debt. It also provides administrative and management support. On behalf of FAN, the Association incurred expenses of \$617,505 for these services, and paid \$187,413 for contract services in the fiscal year ended June 30, 2017.
- ABAG Comp Shared Risk Pool (SHARP) provides workers compensation coverage and claims management for participating members. The Association provides risk management, administrative and management support. On behalf of SHARP, the Association incurred expenses of \$105,924 for these services, and paid \$34,378 for contract services in the fiscal year ended June 30, 2017.

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. The Association acts as POWER'S trustee, providing promotional, administrative and management support. On behalf of POWER, the Association incurred expenses of \$311,920 for these services, and paid \$9,800 for contract services in the fiscal year ended June 30, 2017.

B. Basis of Presentation

The Association's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

These Standards require that the financial statements described below be presented.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary reporting entity (the Association). These statements include the financial activities of the overall Association. Eliminations have been made to minimize the double counting of internal activities. These statements display the *business-type activities* of the Association. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Association's business-type activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs, (b) grants and contributions that are restricted to meeting the operational needs of a particular program, (c) grants providing advances of funds that are passed through ABAG to contractors or end recipients as reimbursements or incentive payments for specified purposes and (d) fees, grants and contributions that are restricted to financing the acquisition or construction of capital assets. Revenues that are not classified as program revenues are presented as general revenues.

C. Major Funds

Major funds are defined as funds that have either assets, liabilities, revenues or expenses equal to ten percent of their fund-type total and five percent of the grand total. The Association's major funds are presented separately in the fund financial statements.

The Association reported all its enterprise funds as major funds in the accompanying financial statements:

Association of Bay Area Governments Fund – this fund accounts for revenues and expenses of the Association.

ABAG Finance Corporation Fund – this fund accounts for revenues and expenses of the ABAG Finance Corporation.

BALANCE Foundation Fund – this fund accounts for revenues and expenses of the Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the full *accrual basis* of accounting. Revenues are recorded when *earned* and expenses are recorded at the time liabilities are *incurred*, regardless of when the related cash flows take place.

Non-exchange transactions, in which the Association gives or receives value without directly receiving or giving equal value in exchange, include grants, entitlements, and donations. On the accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all performance requirements have been satisfied. Expenditures in excess of reimbursement are recorded as receivables, and advanced reimbursements are recorded as unearned revenues.

The Association offers a number of service programs that are funded on a cost-reimbursement or fee-for-service basis. Discretionary funds, comprised primarily of membership dues, amount to about 3.9% of total revenues, excluding pass-through awards. Discretionary funds are used to cover certain management and administrative expenses and may occasionally be allocated to meet local match requirements as stipulated in certain grant contracts. Thus, both restricted and unrestricted net position may be available to finance program expenditures. The Association's policy is to first apply restricted grant resources to such programs, followed by unrestricted revenues if necessary.

Certain indirect costs are included in program expenses reported for individual functions and activities.

E. Compensated Absences

Compensated absences comprise vacations and are recorded as an expense when earned. The accrued liability for unused compensated absences is computed using current employee pay rates. Sick pay does not vest and is not accrued.

The changes in the compensated absences were as follows:

Balance June 30, 2016	\$530,667
Additions	319,019
Payments	<u>(803,358)</u>
Balance June 30, 2017	<u>\$46,328</u>
Due within one year	<u>\$46,328</u>

As part of the merger with the Metropolitan Transportation Commission (MTC), as discussed in Note 10B, the Association's staff were consolidated under MTC's Executive Director and as part of the consolidation agreement, those employees were paid out for their accrued compensated absences as of June 30, 2017.

F. Estimates

The Association's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent liabilities to prepare these financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Actual results could differ from those estimates.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

H. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS

Cash and investments comprised the following at June 30, 2017:

	Association and other blended component units	SF Bay Restoration Authority	Total
<i>Local Agency Investment Fund</i>	\$2,261,439		\$2,261,439
<i>Cash:</i>			
Cash in banks	3,764,145	\$48,499	3,812,644
Cash on hand	320		320
Total Cash and Investments	<u>\$6,025,904</u>	<u>\$48,499</u>	<u>\$6,074,403</u>

The Association pools cash from all sources and all funds so that it can be invested at the maximum yield, consistent with the principles of safety and liquidity. Individual funds can make expenditures at any time. Investments are carried at fair value.

A. Investments Authorized by the Association

The Association's Investment Policy and the California Government Code allow the Association to invest in the following, within the stated guidelines:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	1 year	N/A	None	None
U.S. Agency Securities	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	None
Commercial Paper	180 days	A 1/P1	10%	None
Investment Agreements	On Demand	N/A	None	None
Repurchase Agreements	15 days	N/A	10%	None
Certificates of Deposit	3 years	N/A	10%	10%
Negotiable Certificates of Deposit	1 year	N/A	30%	None
Money Market Mutual Funds	On Demand	Top rating category	20%	10%
California Local Agency Investment Fund	On Demand	N/A	None	None
Investment Trust of California (CalTRUST)	On Demand	N/A	None	None

B. Fair Value Hierarchy

The Association categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Association's only investment is in the California Local Agency Investment Fund (LAIF), which is exempt from the fair value hierarchy.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

C. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the fair value of the Association's investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The sensitivity of the fair values of the Association's investments to market interest rate fluctuations is presented by the following maturity schedule of the Association's cash and investments:

	12 Months or less
Local Agency Investment Fund	\$2,261,439
Cash in banks	3,812,644
Cash on hand	320
Total Cash and Investments	<u>\$6,074,403</u>

As of year-end, the weighted average maturity of the investments in the LAIF investment pool is approximately 194 days.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Association may not be able to recover its deposits or collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 110% to 150% of the Association's cash on deposit. All of the Association's deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions in the Association's name.

E. Local Agency Investment Fund

The Association is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Association reports its investment in LAIF at the fair value amount provided by LAIF. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are maintained on an amortized cost basis. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, loans to certain state funds, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations.

Under California Government Code, LAIF is allowed greater investment flexibility than the Association is permitted. As such, LAIF's investment portfolio may contain investments not otherwise permitted for the Association. For funds invested in LAIF, LAIF's investment policy overrides the Association's investment policy.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. Statement of Cash Flows

For purposes of the statement of cash flows, the Association considers all highly liquid investments, including restricted investments but excluding cash with fiscal agents, with a maturity of three months or less when purchased to be cash equivalents.

NOTE 3 – CAPITAL ASSETS

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated acquisition value on the date contributed. The Association's policy is to capitalize all assets with costs exceeding \$5,000.

Capital assets with limited useful lives are depreciated over their estimated useful lives. The purpose of depreciation is to spread the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation expense is calculated on the straight-line method over the estimated useful lives of assets, which are as follows:

Facilities and improvements	5 to 30 years
Furniture and equipment	3 to 10 years
Vehicles	5 years
Capitalized software	3 to 6 years

Capital asset balances and transactions as of June 30 are summarized below:

	June 30, 2016	Additions	Deletions	Transfers	June 30, 2017
Capital assets not being depreciated:					
Construction in process	\$800,000			(\$800,000)	
Total capital assets not being depreciated	800,000			(800,000)	
Capital assets being depreciated:					
Facilities and improvements	3,604,147	\$4,688,962	(\$3,604,148)	800,000	\$5,488,961
Furniture and equipment	1,100,277	326,535	(696,418)		730,394
Vehicles	57,652				57,652
Capitalized software	697,974		(472,870)		225,104
Total capital assets being depreciated	5,460,050	5,015,497	(4,773,436)	800,000	6,502,111
Less accumulated depreciation for:					
Facilities and improvements	(3,522,933)	(45,932)	3,568,865		
Furniture and equipment	(923,292)	(113,688)	675,950		(361,030)
Vehicles	(57,652)				(57,652)
Capitalized software	(693,732)	(2,423)	472,870		(223,285)
Total accumulated depreciation	(5,197,609)	(162,043)	4,717,685		(641,967)
Total depreciable assets	262,441	4,853,454	(55,751)	800,000	5,860,144
Total	\$1,062,441	\$4,853,454	(\$55,751)		\$5,860,144

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 4 – LONG-TERM OBLIGATION

The Association's obligation issues and transactions are summarized below and discussed in detail thereafter:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>
<i>BUSINESS-TYPE ACTIVITY</i>				
Office Improvement Project				
Variable rate + 1%, due 1/1/2020	<u>\$293,747</u>	<u>(\$77,747)</u>	<u>\$216,000</u>	<u>\$82,543</u>

A. Installment Sales Agreement

In January 2010, the Association entered into an installment sale agreement with ABAG Finance Authority for Non-profit Corporations (Authority) in the amount of \$700,000, whereby, the Authority financed various office improvement projects to the Association. Principal and interest payments are paid monthly beginning February 1, 2010 until January 1, 2020. The agreement bears a variable interest rate at the average annual Local Agency Investment Fund's (LAIF) rate plus one percent (1.978% as of June 30, 2017). As of June 30, 2017, based on the year-end interest rate, the installment agreement obligations were as follows:

<u>For the Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$82,543	\$4,272	\$86,815
2019	87,634	2,640	90,274
2020	45,823	906	46,729
Total	<u>\$216,000</u>	<u>\$7,818</u>	<u>\$223,818</u>

B. Line of Credit

In July 2009, the Association signed a \$2 million line of credit arrangement with a bank. In fiscal year 2014, the Association renewed the line of credit to mature on February 28, 2016. Interest is at a variable rate that shall not be less than 4.00% annually and is to be paid monthly. Pursuant to its agreement with the bank the Association assigned its future rents and revenues and pledged its interest in the building as collateral. On July 26, 2016, the letter of credit was extended to mature on June 30, 2017. No borrowings were made on the line of credit during fiscal year 2017 and the Association elected not to renew the line of credit after June 30, 2017.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 5 – WINDEMERE RANCH ASSESSMENT DISTRICT SPECIAL ASSESSMENT DEBT

On behalf of Contra Costa County, the Association formed the Windemere Ranch Assessment District and the Windemere Ranch Community Facilities District in an unincorporated area of that County. The purpose of the districts was to issue debt to fund infrastructure improvements as part of the development of residential housing in the District.

Beginning in 1999 a series of bonds have been issued to provide funds for construction or to refund existing bond to provide savings from reduced interest payments. Bonds have been issued in multiple series in 1999, 2000, 2002, 2004, 2007, 2014, and 2017. At June 30, 2017, outstanding bonds were:

• Revenue Bonds , Senior Series 2007-A	\$82,270,000
• Refunding Revenue Bonds, Senior Series 2014-A	30,225,000
• Refunding Revenue Bonds, Subordinate Series 2017-A	47,425,000
• Refunding Revenue Bonds, Subordinate Series 2017-B	12,460,000

These bonds are repayable out of special assessments on the parcels in the Districts, and are secured by liens on the parcels in the Districts. The Association has no obligation for the repayment of the bonds and, accordingly does not record this debt in its financial statements.

The Series 2017 A and 2017-B bonds were issued in June 2017, and total proceeds of \$83,256,184.50 were deposited to an escrow account, to be used, in part, to refund the Series 2007-A bonds, on September 2, 2017.

NOTE 6 – CONDUIT FINANCING PROGRAMS FOR MEMBERS

The Association assists members and other borrowers in obtaining financing through the issuance of revenue bonds, special assessment debt, certificates of participation in lease revenues and in straight leasing arrangements.

The underlying liability for the repayment of each of these issues rests with the borrower participating in that issue, and not with the Association, which acts only as a conduit in pooling each issue. For that reason, the Association has not recorded a liability for these issues. The Association sponsored the following outstanding conduit debt balances that were payable by their respective borrowers at June 30:

<u>Type of Financing</u>	<u>Unpaid balance - June 30</u>	
	<u>2017</u>	<u>2016</u>
Revenue Bonds	\$86,175,000	\$116,880,000
Certificates of Participation	6,270,000	6,970,000
Total	<u>\$92,445,000</u>	<u>\$123,850,000</u>

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 7 – NET POSITION

A. Entity-Wide Financial Statements - Net Position

Net Position is the excess of all the Association's assets and deferred outflows of resources over all its liabilities and deferred inflows of resources, regardless of fund. The Association's Net Position is divided into the three captions described below:

Net Investment in Capital Assets is the current net book value of the Association's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Position which is restricted as to use by the terms and conditions of donations received by the Association.

Unrestricted describes the portion of the Net Position which may be used for any Association purpose.

B. Net Position Deficit

The Association has a deficit net position of \$523,970 primarily due to the Association's implementation of the Governmental Accounting Standards Board Statement 68 – Accounting and Financial Reporting for Pensions.

NOTE 8 – PENSION PLAN

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

A. General Information about the Pension Plan

Plan Description – All qualified permanent and probationary employees are eligible to participate in the Association's Miscellaneous Employee Pension Rate Plan. The Association's Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer, which is administered by the California Public Employees' Retirement System (CalPERS). The employer participates in one cost-sharing multiple-employer defined benefit pension plan regardless of the number of rate plans the employer sponsors. Benefit provisions under the Plan are established by State statute and Board resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

Benefits Provided – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plan's provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	
	Tier I	Tier II
	Prior to	On or after
	January 1, 2013	January 1, 2013
Hire date		
Benefit formula	2.5% @ 55	2% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 67+	52 - 67+
Monthly benefits, as a % of eligible compensation	2.0%-2.5%	1.0%-2.5%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	9.498%	6.555%

Beginning in fiscal year 2016, CalPERS collects employer contributions for the Plan as a percentage of payroll for the normal cost portion as noted in the rates above and as a dollar amount for contributions toward the unfunded liability and side fund. The dollar amounts are billed on a monthly basis. The Association's required contribution for the unfunded liability and side fund was \$1,171,667 in fiscal year 2017.

Contributions – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Association is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions to the Plan were as follows:

	Miscellaneous
	Plan
Contributions - employer	\$2,744,108

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the CalPERS Financial Office. For this purpose, benefit payments (including refunds of employee contributions) are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value.

As of June 30, 2017, the Association reported a net pension liability for its proportionate share of the net pension liability of the Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Miscellaneous Tier I & II	<u>\$14,749,850</u>
Total Net Pension Liability	<u><u>\$14,749,850</u></u>

The Association's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2016, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The Association's proportion of the net pension liability was based on a projection of the Association's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The Association's proportionate share of the net pension liability for the Plan as of June 30, 2015 and 2016 was as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2015	0.4738%
Proportion - June 30, 2016	<u>0.4246%</u>
Change - Increase (Decrease)	<u><u>-0.0492%</u></u>

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

For the year ended June 30, 2017, the Association recognized pension expense of \$179,282. At June 30, 2017, the Association reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made after the measurement date	\$2,744,108	
Differences between actual and expected experience	56,382	(\$12,919)
Changes in assumptions		(533,423)
Net differences in actual contributions and proportionate contributions	139,355	(460,384)
Net differences between projected and actual earnings on pension plan investments	2,776,289	
Adjustments due to differences in proportion	897,416	(400,431)
Total	<u>\$6,613,550</u>	<u>(\$1,407,157)</u>

Deferred outflows of \$2,744,108 related to contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Miscellaneous Plan	
Year Ended June 30	Annual Amortization
2018	\$359,897
2019	346,393
2020	1,036,903
2021	719,092

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

Actuarial Assumptions – For the measurement period ended June 30, 2016, the total pension liability was determined by rolling forward the June 30, 2015 total pension liability. The June 30, 2015 and June 30, 2016 total pension liability was based on the following actuarial methods and assumptions:

	Miscellaneous Plan
Valuation Date	June 30, 2015
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.0%
Investment Rate of Return	7.5% (2)
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CalPERS' Membership Data for all Funds

- (1) The mortality table used was developed based on CalPERS' specific data. The table includes 10 years of mortality improvements using Society of Actuaries Scale AA. For more details on this table, please refer to the CalPERS 2010 experience study report available on CalPERS' website.
- (2) Net of pension plan investment expenses, including inflation

All other actuarial assumptions used in the June 30, 2015 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions – There were no changes of assumptions.

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 8 – PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

In December 2016, CalPERS' Board of Directors voted to lower the discount rate used in its actuarial valuations from 7.5% to 7.0% over three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates for employers beginning in fiscal year 2019, and result in increases to employers' normal costs and unfunded actuarial liabilities.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 8 – PENSION PLAN (Continued)

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	51%	5.25%	5.71%
Private Equity	20%	0.99%	2.43%
Global Fixed Income	6%	0.45%	3.36%
Liquidity	10%	6.83%	6.95%
Real Assets	10%	4.50%	5.13%
Inflation Sensitive Assets	2%	4.50%	5.09%
Absolute Return Strategy (ARS)	1%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% is used this period.

(b) An expected inflation of 3.0% is used this period.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Association's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the Association's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous Plan
1% Decrease	6.65%
Net Pension Liability	\$20,792,989
Current Discount Rate	7.65%
Net Pension Liability	\$14,749,850
1% Increase	8.65%
Net Pension Liability	\$9,755,496

Pension Plan Fiduciary Net Position – Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS

The Association follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB).

By Board resolution and through agreements with its labor unit, the Association provides certain health care benefits for retired employees (spouse and dependents are not included) under third-party insurance plans. A summary of these benefits is shown below:

Benefit Summary:

Eligibility	Service or disability retirement Age 50 & 5 years service Disability retire directly from ABAG under CalPERS	
Benefit: Tier 1 Hired < 7/1/2009	Retired < 9/1/94- 100% of Kaiser single basic premium Retired ≥ 9/1/94 -100% of Kaiser 2-party basic premium Basic/Supplemental Medicare premium for pre/post 65 PEMHCA administration fee paid by ABAG	
Tier 2 Hired ≥ 7/1/2009	PEMHCA minimum PEMHCA administration fee paid by ABAG	
Medical After Retirement (MARA)	Tier 1 One time only option to enroll Must opt out of defined benefit medical plan ABAG contributes PEMHCA minimum if opt in MARA Open enrollment for MARA ended in 2013	Tier 2 Must enroll in MARA ABAG contributes \$100/month to an individual MARA account for each non-management employee ABAG contributes \$200/month to an individual MARA account for each management employee MARA not included in the OPEB evaluation
Medicare B Reimbursement ¹	Retired < 9/1/94 - 100% for retiree Retired ≥ 9/1/94 -100% for retiree and spouse	None
Surviving Spouse of Retiree	Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity	

¹ Tier 1 reflects January 1, 2015 plan amendment. Pre-amendment benefit does not include Medicare B Reimbursement.

As of June 30, 2017, approximately 13 participants were eligible to receive benefits.

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Policy and Actuarial Assumptions

The annual required contribution (ARC) was determined as part of a June 30, 2015 actuarial valuation using the entry age normal actuarial cost method. This is a projected benefit cost method, which takes into account those benefits that are expected to be earned in the future as well as those already accrued. The actuarial assumptions included (a) 7.25% investment rate of return, (b) 3.25% projected annual salary increase, (c) 3.00% general inflation and (d) 5.0 – 7.2% health trend increase. The actuarial methods and assumptions used include techniques that smooth the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Actuarial calculations reflect a long-term perspective and actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to revision at least biannually as results are compared to past expectations and new estimates are made about the future. The Association's OPEB unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll using a 20 year closed amortization period.

In accordance with the Association's budget, the annual required contribution (ARC) is to be funded throughout the year as a percentage of payroll. Concurrent with implementing Statement No. 45, the Association's Board passed a resolution to participate in the California Employers Retirees Benefit Trust (CERBT), an irrevocable trust established to fund OPEB. CERBT is administered by CalPERS, and is managed by an appointed board not under the control of Association Board. This Trust is not considered a component unit by the Association and has been excluded from these financial statements. Separately issued financial statements for CERBT may be obtained from CALPERS at P.O. Box 942709, Sacramento, CA 94229-2709.

ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

NOTE 9 – POST EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Funding Progress and Funded Status

Generally accepted accounting principles permit contributions to be treated as OPEB assets and deducted from the Actuarial Accrued Liability when such contributions are placed in an irrevocable trust or equivalent arrangement. During the fiscal year ended June 30, 2017, the Association contributed \$756,154 which represented 11.50% of the \$6,573,000 of covered payroll. As a result, the Association has recorded the Net OPEB Obligation, the difference between the ARC and actual contributions, as presented below:

Net OPEB Obligation June 30, 2016	<u>\$289,511</u>
Annual required contribution (ARC)	809,000
Interest on net OPEB obligation	19,000
Implied subsidy	(72,000)
Adjustment to annual required contribution	<u>(19,000)</u>
Annual OPEB cost	<u>737,000</u>
Contributions made:	
Contributions to CERBT	289,511
Association's portion of current year premiums paid	<u>466,643</u>
Total contributions	<u>756,154</u>
Change in net OPEB Liability	<u>(19,154)</u>
Net OPEB Obligation June 30, 2017	<u><u>\$270,357</u></u>

The Plan's annual required contributions and actual contributions for the last three fiscal years are set forth below:

Fiscal Year	Annual OPEB Cost (AOC)	Actual Contributions	Percentage of AOC Contributed	Net OPEB Obligation
6/30/2015	\$695,675	\$893,874	128%	\$401,777
6/30/2016	674,490	786,756	117%	289,511
6/30/2017	737,000	756,154	103%	270,357

**ASSOCIATION OF BAY AREA GOVERNMENTS
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2017**

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

A. Federal and State Grant Programs

The Association participates in Federal and State grant programs. These programs have been audited by the Association's independent accountants through the fiscal year ended June 30, 2017 in accordance with the provisions of the Federal Single Audit Act, as amended, and applicable State requirements. No cost disallowances were proposed as a result of these audits; however, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time. The Association expects such amounts, if any, to be immaterial.

B. Staff Consolidation

On May 19, 2016 and May 25, 2016, the governing bodies of ABAG and the Metropolitan Transportation Commission (MTC) voted to support full functional staff consolidation of the two agencies under the leadership of MTC Executive Director Steve Heminger, with future governance options to be discussed by the two boards two years after implementing the consolidation of staff. On April 20, 2017, the ABAG Executive Board approved a Contract for Services between ABAG and MTC which states that the MTC Executive Director and the consolidated MTC/ABAG staff will perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP) that had been previously performed by the ABAG staff. The newly created position of Deputy Executive Director for Local Government Services reports to the MTC Executive Director. ABAG remains a separate legal entity, governed by its Board of Directors, and retains its mission, along with all of its statutory roles and responsibilities as the region's Council of Governments.

On July 1, 2017 all members of the ABAG staff, excluding the ABAG Legal Counsel, who retires January 5, 2018, were merged into the staff of MTC as new employees of MTC.

ABAG and the LCPs will continue to prepare annual budgets and work plans that are to be approved by the applicable MTC, ABAG and LCP policy bodies. ABAG shall retain ownership of all its existing assets and remains responsible for its outstanding liabilities, including unfunded pension liabilities and retiree medical for former ABAG employees who are now retired.

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Required Supplemental Information

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<p style="text-align: center;">ASSOCIATION OF BAY AREA GOVERNMENTS REQUIRED SUPPLEMENTAL INFORMATION For the Year Ended June 30, 2017</p>
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Association of Bay Area Governments, a Cost-Sharing Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	Miscellaneous	Miscellaneous	Miscellaneous
	Tier I & II	Tier I & II	Tier I & II
	2014	2015	2016
Plan's Proportion of the Net Pension Liability/Asset	0.4744%	0.4738%	0.4246%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$11,357,673	\$12,998,297	\$14,749,850
Plan's Covered Payroll	\$6,847,411	\$6,198,473	\$6,036,594
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered Payroll	165.87%	209.70%	244.34%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Proportionate Share of the Total Pension Liability	65.6496%	69.2285%	67.1398%

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

**ASSOCIATION OF BAY AREA GOVERNMENTS
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2017**

Association of Bay Area Governments, a Cost-Sharing Defined Pension Plan
As of fiscal year ending June 30, 2017
Last 10 Years *
SCHEDULE OF CONTRIBUTIONS

Fiscal Year Date	Miscellaneous Tier I & II Fiscal Year 2014-2015	Miscellaneous Tier I & II Fiscal Year 2015-2016	Miscellaneous Tier I & II Fiscal Year 2016-2017
Actuarially determined contribution	\$1,305,738	\$491,374	\$2,744,108
Contributions in relation to the actuarially determined contributions	(1,305,738)	(491,374)	(2,744,108)
Contribution deficiency (excess)	\$0	\$0	\$0
Covered payroll	\$6,198,473	\$6,036,594	\$5,832,772
Contributions as a percentage of covered payroll	18.06%	8.14%	47.05%
Notes to Schedule			
Valuation date:	6/30/2013	6/30/2014	6/30/2015
Methods and assumptions used to determine contribution rates:			
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation	2.75%	2.75%	2.75%
Salary increases	Varies by Entry Age and Service	Varies by Entry Age and Service	Varies by Entry Age and Service
	7.5%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation	7.65%, net of pension plan investment and administrative expenses, including inflation
Investment rate of return			
Retirement age	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2	55 yrs. Misc., 62 yrs. Tier 2
	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2014 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale BB.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.	The probabilities of mortality are derived from CalPERS' Membership Data for all Funds based on CalPERS' specific data from a 2010 CalPERS Experience Study. The table includes 20 years of mortality improvements using the Society of Actuaries Scale AA.
Mortality			

* Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

<p align="center">ASSOCIATION OF BAY AREA GOVERNMENTS REQUIRED SUPPLEMENTAL INFORMATION For the Year Ended June 30, 2017</p>

Association of Bay Area Governments, Other Post Employment Benefits
As of fiscal year ending June 30, 2017

Last 3 Valuations

SCHEDULE OF FUNDING CONTRIBUTIONS

Valuation Date	Actuarial		Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded (overfunded) Actual Liability as % of Covered Payroll
	Value of Assets	Accrued Liability				
6/30/2011	\$1,226,000	\$6,684,000	\$5,458,000	18.34%	\$6,684,000	81.7%
6/30/2013	2,754,000	7,675,000	4,921,000	35.88%	6,871,000	71.6%
6/30/2015	4,637,000	9,913,000	5,276,000	46.78%	6,366,000	82.9%

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ASSOCIATION OF BAY AREA GOVERNMENTS

**SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

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ASSOCIATION OF BAY AREA GOVERNMENTS

**SINGLE AUDIT REPORT
For The Year Ended June 30, 2017**

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ASSOCIATION OF BAY AREA GOVERNMENTS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2017

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None Reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA#(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>66.126</u>	<u>The San Francisco Bay Water Quality Improvement Fund</u>
<u>97.045</u>	<u>Cooperating Technical Partners</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

SECTION II – FINANCIAL STATEMENT FINDINGS

Our audit did not disclose any significant deficiencies, or material weaknesses or instances of noncompliance material to the basic financial statements. We have also issued a separate Memorandum on Internal Control dated December 20, 2017 which is an integral part of our audits and should be read in conjunction with this report.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any findings or questioned costs required to be reported in accordance with Uniform Guidance.

ASSOCIATION OF BAY AREA GOVERNMENTS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
Department of Interior Direct Programs:				
Earthquake Hazards Program Assistance				
Bay Area Vulnerable Housing Guide	15.807			\$3,322
Program Subtotal				3,322
U.S. Geological Survey - Research and Data Collection				
2016 Bay-Delta Science Conference Linking Data and Decision	15.808			90,000
Haywired Scenario	15.808			11,322
Program Subtotal				101,322
Subtotal Department of Interior Direct Programs				104,644
Department of Interior Pass - Through Programs:				
California Department of Parks & Recreation				
Clean Vessel Act Program	15.616	C8957407		123,105
Clean Vessel Act Education and Outreach Grant Program	15.616	C8957414		58,171
Subtotal Department of Interior Pass - Through Programs				181,276
Total Department of Interior Programs				285,920
Department of Transportation Pass - Through Programs:				
Pass - Through the Metropolitan Transportation Commission				
Highway Planning and Construction Programs:				
Information Analysis and Planning Services	20.205	Not Available		2,500,000
Total Department of Transportation Pass - Through Programs				2,500,000
U.S. Environmental Protection Agency Direct Programs:				
Surveys, Studies, Investigations, Demonstrations and Training Grants and				
Cooperative Agreements - Section 104(b)(3) of the Clean Water Act				
EPA Estuary 2100	66.436		\$216,698	279,006
Brownfields Assessment and Cleanup Cooperative Agreements				
Brownfields Assessment and Cleanup	66.818			12,710
National Estuary Program				
EPA FY 13-14 Estuary	66.456		146,306	815,824
Regional Wetland Program Development Grant				
Aquatic Science Center Contract II	66.461			22,155
Congressionally Mandated Projects				
Estuary 2100 Phase II	66.202		293,294	329,407
The San Francisco Bay Water Quality Improvement Fund:				
Healthy Watersheds, Resilient Baylands	66.126		140,199	158,391
Flood 2.0 - Rebuilding Habitat & Shoreline Resilience	66.126		423,132	452,108
Greener Pesticides for Cleaner Waterways	66.126			93,850
EPA Mercury CPR	66.126		154,061	186,166
Urban Greener Bay Area	66.126		333,594	408,835
Suisun Marsh Water Quality Monitoring Project	66.126			278,776
Program Subtotal			1,050,986	1,578,126
Subtotal U.S. Environmental Protection Agency Direct Programs			1,707,284	3,037,228
				(Continued)

ASSOCIATION OF BAY AREA GOVERNMENTS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Pass-Through To Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency Pass - Through Programs				
California State Water Resources Control Board				
Capitalization Grants for Clean Water States Revolving Funds				
SRF Unified Bay & Delta Reporting	66.458	14-818-550	84,651	160,445
Subtotal U.S. Environmental Protection Agency Pass - Through Programs			84,651	160,445
Total U.S. Environmental Protection Agency Programs				3,197,673
U.S. Department of Energy Direct Program				
Conservation Research and Development				
San Francisco BayREN (BRICR)	81.086			3,107
Subtotal U.S. Department of Energy Direct Program				3,107
Department of Homeland Security Direct Programs				
Cooperating Technical Partners				
Regional Resilience Plan	97.045			496,143
FY 2015 Community Engagement and Risk Communication	97.045			188,487
Total Department of Homeland Security Direct Programs				684,630
			\$1,791,935	\$6,671,330
Total Expenditures of Federal Awards				

See Accompanying Notes to Schedule of Expenditures of Federal Awards

ASSOCIATION OF BAY AREA GOVERNMENTS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2017

NOTE 1-REPORTING ENTITY

The Schedule of Expenditure of Federal Awards (the Schedule) includes expenditures of federal awards for the Association of Bay Area Governments, San Francisco, California and its component units as disclosed in the notes to the Basic Financial Statements.

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied. All proprietary funds are accounted for using the accrual basis of accounting. Expenditures of Federal Awards reported on the Schedule are recognized when incurred.

NOTE 3 – INDIRECT COST ELECTION

The Association has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Members of the Board of Directors
Association of Bay Area Governments (Association),
San Francisco, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the Association as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated December 20, 2017. Our report included an emphasis of a matter paragraph disclosing the merger of the Association into Metropolitan Transportation Commission as of July 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze & Association

Pleasant Hill, California
December 20, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Members of the Board of Directors
Association of Bay Area Governments (Association),
San Francisco, California

Report on Compliance for Each Major Federal Program

We have audited the Association's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended June 30, 2017. The Association's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the the business-type activities and the aggregate discretely presented component unit and each major fund of the Association as of and for the year ended June 30, 2017, and have issued our report thereon dated December 20, 2017 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Maze & Associates

Pleasant Hill, California
January 8, 2018

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**ASSOCIATION OF BAY AREA GOVERNMENTS
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2017**

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**ASSOCIATION OF BAY AREA GOVERNMENTS
MEMORANDUM ON INTERNAL CONTROL
AND
REQUIRED COMMUNICATIONS**

For The Year Ended June 30, 2017

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MEMORANDUM ON INTERNAL CONTROL

To the Executive Board of the
Association of Bay Area Governments
San Francisco, California

In planning and performing our audit of the basic financial statements of the Association of Bay Area Governments (Association) as of and for the year ended June 30, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Association's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Included in the Schedule of Other Matters are recommendations not meeting the above definitions that we believe are opportunities for strengthening internal controls and operating efficiency.

This communication is intended solely for the information and use of management, Executive Board of Directors, others within the organization, and agencies and pass-through entities requiring compliance with *Government Auditing Standards*, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Maze & Associates'.

Pleasant Hill, California
December 20, 2017

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MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

The following pronouncements are effective in fiscal year 2017/18:

GASB 75 – *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other post-employment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all post-employment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, establishes new accounting and financial reporting requirements for OPEB plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specified criteria and for employers whose employees are provided with defined contribution OPEB. This Statement also addresses certain circumstances in which a nonemployer entity provides financial support for OPEB of employees of another entity.

In this Statement, distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, the OPEB plan administrator, and the plan members.

MEMORANDUM ON INTERNAL CONTROL

SCHEDULE OF OTHER MATTERS

GASB 81 – Irrevocable Split-Interest Agreements

The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts—or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements—in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

How the Changes in This Statement Improve Financial Reporting

This Statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission.

REQUIRED COMMUNICATIONS

To the Executive Board of the
Association of Bay Area Governments
San Francisco, California

We have audited the basic financial statements of the Association of Bay Area Governments (Association) for the year ended June 30, 2017. Professional standards require that we communicate to you the following information related to our audit under generally accepted auditing standards, Government Auditing Standards and Uniform Guidance.

Significant Audit Findings

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year.

The following Governmental Accounting Standards Board (GASB) pronouncements became effective and did not have a material effect on the financial statements:

- GASB 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- GASB 74 – *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*
- GASB 77 – *Tax Abatement Disclosures*
- GASB 80 – *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*
- GASB 82 – *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*

Unusual Transactions, Controversial or Emerging Areas

We noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Association's financial statements were:

Estimated Net Pension Liabilities and Pension-Related Deferred Outflows and Inflows of Resources: Management's estimate of the net pension liabilities and deferred outflows/inflows of resources are disclosed in Note 8 to the financial statements and are based on actuarial studies determined by a consultant, which are based on the experience of the Association. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Net OPEB Liability: Management's estimate of the net OPEB obligation is disclosed in Note 9 to the financial statements and is based on actuarial study determined by a consultant, which is based on the experience of the Association. We evaluated the key factors and assumptions used to develop the estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimated Fair Value of Investments: As of June 30, 2017, the Association held approximately \$6 million of cash and investments as measured by fair value as disclosed in Note 2 to the financial statements. Fair value is essentially market pricing in effect as of June 30, 2017. These fair values are not required to be adjusted for changes in general market conditions occurring subsequent to June 30, 2017.

Estimate of Depreciation: Management's estimate of the depreciation is based on useful lives determined by management. These lives have been determined by management based on the expected useful life of assets as disclosed in Note 3 to the financial statements. We evaluated the key factors and assumptions used to develop the depreciation estimate and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Estimate of Compensated Absences: Accrued compensated absences which are comprised of accrued vacation, holiday, and certain other compensating time is estimated using accumulated unpaid leave hours and hourly pay rates in effect at the end of the fiscal year as disclosed in Note 1E to the financial statements. We evaluated the key factors and assumptions used to develop the accrued compensated absences and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Unbilled Receivables: The Association has recorded unbilled receivables approximating \$5.4 million. Actual billings and the ultimate collections may vary from this estimate.

Disclosures

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Professional standards require us to accumulate all known and likely uncorrected misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have no such misstatements to report to the Executive Board.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in a management representation letter dated December 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information Accompanying the Financial Statements

We applied certain limited procedures to the required supplementary information that accompanies and supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the required supplementary information and do not express an opinion or provide any assurance on the required supplementary information.

This information is intended solely for the use of Executive Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Maze & Associates

Pleasant Hill, California
December 20, 2017



Date: January 11, 2018

To: ABAG Executive Board
ABAG Finance Committee

From: Executive Director

Subject: **Approval of Contract—Business Insurance Broker, Consultation Third Party Insurance Certificate Management Services—USI Insurance Services**

The ABAG Finance Committee is requested to recommend ABAG Executive Board approval to enter into a contract with USI Insurance Services to provide business insurance brokerage and consulting.

Background

In July 2017, ABAG and MTC issued a Request for Proposal (RFP) for business insurance broker services to secure coverage as required by ABAG and the LCP's ("Agencies") to protect their assets for loss and other exposures, and to provide insurance consulting services. See Attachment A, for a full list of the current LCP's included in the coverage.

An RFP notification was sent to more than fifty-six contacts, with three firms submitting proposals. A panel evaluated all three firms based on the following criteria:

1. Experience in relevant insurance brokerage and consulting services, including public agency experience (40%);
2. Professional background of staff (30%);
3. Service approach and responsiveness to clients (based in part on references) (20%); and
4. Cost (10%)

Based on the evaluation panel's results, staff recommends USI for its industry-recognized expertise demonstrated by 1) an extensive experience serving local transit agencies including BART, Peninsula Corridor Joint Powers Board (CalTrain) and Golden Gate Bridge, Highway and Transportation District; 2) a thorough understanding of the Agencies' risk profiles, including a robust risk transference program for third-party contracting; 3) cost-conscious commission structure inclusive of services from coverage renewals to claims advocacy, risk control with site inspections, and comprehensive, expert consultation on risk management, contracting and risk evaluation; and 4) prior assistance with third-party contracts and assisting with obtaining vendor compliance with the required insurance provision.

Staff was informed that USI formally acquired Wells Fargo Insurance on November 30, 2017. The pending purchase of Wells Fargo Insurance by USI was documented in detail in the proposal, including affirmation that policies and coverages would not be affected; the staff proposed as the MTC service team will not change; and the executive management (Chairman/CEO and President) will not change.

Contract USI Insurance Services

January 11, 2018

Page 2

Scope of Work. USI will provide the following services:

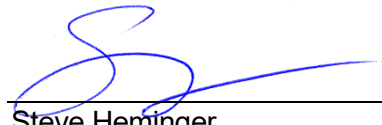
- I. Business Insurance Brokerage Services. Commission paid by each insurance carrier directly to USI (estimated at 10-15% of premiums) for the services, including but not limited to evaluating the current insurance programs to ensure adequate insurance protection at optimum costs, underwriting information and marketing strategy for various insurance programs, including the recommended coverage, deductible and self-retention levels; marketing the existing insurance programs; obtaining quotations and evaluating coverage options; reviewing recommendations for placement of insurance program with staff and binding approved coverages and maintaining policies throughout the coverage period; investigating rights of the insured agencies; and reviewing and processing, as appropriate, business insurance claims, invoices, underwriters' audits and other documents on behalf of the insured agencies.
- II. Third Party Insurance Certificate Management Services. Review the insurance provisions included in all third-party contracts issued and support oversight of contractor compliance with these provisions, and provide assistance with maintaining the web-based database of all third-party contracts.
- III. Consulting Services. Provide consulting services, as needed, responding within 24 hours when required, on insurance levels, contract reviews, requests for insurance waivers, surety bonding and letters of credit requirements, specific requirements for unique projects, and assist with implementation of self-insurance programs, including any claims processing and subrogation assistance as necessary.

Recommended Action

The ABAG Finance Committee is requested to recommend ABAG Executive Board authorization of the Executive Director of the Metropolitan Transportation Commission, or his designee, to negotiate and enter into a contract with USI on behalf of the Agencies for the period of January 16, 2018 through December 31, 2020, with the option to extend for three (3) additional years, at increments of ABAG's choosing as follows:

1. To provide business insurance brokerage, risk assessment and management, and consultation on a commission basis (received from insurers in an amount of approximately 10-15%). The cost for subsequent FYs is subject to the adoption of the annual operating budget.
2. To issue payment(s) to secure the appropriate business insurance policies at the annual renewal period as recommended by USI, up to the amount set aside in the applicable FY operating budget for business insurance renewal expenses. This amount will be determined when premium amounts are received from carriers; the amount per fiscal year will not exceed the amount set aside in the operating budget for business insurance renewal expenses.

The Agencies will reimburse ABAG for their respective shares of the total cost of insurance services.



Steve Heminger

Attachment:

Local Collaboration Programs

Attachment A

ABAG is a joint powers authority agency that serves formed by the cities and counties of the Bay Area as the region's Council of Governments and with the statutory responsibilities and powers granted by the California Legislature including, but not limited to, (a) responsibility for preparation of portions of the region's sustainable communities strategy, and (b) authority to adopt the regional housing need allocation (RHNA) plan.

The following ABAG affiliated agencies are Local Collaboration Programs (LCPs):

The **ABAG Finance Authority for Nonprofit Corporations (FAN)** is a joint powers authority created to assist nonprofit corporations and other entities to obtain financing for projects and purposes serving the public interest.

The **ABAG Finance Corporation (Finance Corp)** is a California nonprofit corporation created to assist nonprofit corporations and other entities to lease finance personal property and improvements on real property for projects serving the public interest.

ABAG. Inc. is a California nonprofit corporation created to lessen the burdens of government and improve government efficiency and cost effectiveness by educating officials, employees and the public on a variety of topics and through various means.

The **ABAG Publicly Owned Energy Resources (POWER)** is a joint powers authority created to acquire energy including, but not limited to, natural gas and electricity, and of telecommunications services, and such other services and goods as may be necessary or convenient to optimize costs savings and to manage the use or the supply of energy or telecommunications services.

The **Advancing California Finance Authority (ACFA)** is a joint powers authority anticipated to be created in the near future to serve as an issuer of bonds for the benefit of the public and private entities in implementing projects in the public interest and to provide financial resources to ABAG in support of ABAG's mission and responsibilities.

The **BALANCE Foundation (BALANCE)** is a California nonprofit corporation created to receive funds to perform, or to permit regional governmental agencies in the San Francisco Bay Area to perform, studies to identify and/or analyze regional or subregional problems and to develop and implement actions to encourage or assist the resolution of regional and subregional problems as identified by ABAG.

The **San Francisco Bay Trail Project (Bay Trail)** is a California nonprofit corporation created to develop a broad base of support for the San Francisco Bay Trail and to provide access along the shoreline and to enhance public appreciation of the San Francisco and San Pablo Bays.

The **San Francisco Bay Restoration Authority (SFBRA)** was created by statute in 2008 as a regional entity to generate and allocate resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. ABAG appoints the seven members of SFBRA's Governing Board.

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