

Association of Bay Area Governments

Finance Committee

November 20, 2025

Agenda Item 7.a.

ABAG Audited Financial Statements and Accompanying Reports

Subject:

Report on the Association of Bay Area Governments (ABAG) Audited Financial Statements, Audit Results and Required Communications for Fiscal Year Ended June 30, 2025

Background:

Staff requests that the ABAG Finance Committee recommend that the ABAG Executive Board accept the attached audited Financial Statements and Accompanying Reports for the Fiscal Year ended June 30, 2025 and accept the staff recommendation to reappoint Crowe LLP for the FY 2026 audit. Crowe LLP was awarded the audit contract for MTC and ABAG after an extensive bid process. The audit contract includes audit services for the fiscal years 2019-2020, 2020-2021, 2021-2022, 2022-2023, 2023-2024, with two potential one-year extensions covering audit services for fiscal years 2024-2025 and 2025-2026. Staff believes Crowe LLP has done an excellent job and recommends their extension for fiscal year 2025-2026.

There are several documents that make up the year-end Financial Statements and Accompanying Reports.

Crowe LLP will make a presentation relating to the audit results and required communications:

FY 2024-25 ABAG Audit Results and Required Communications

The audit opinion is “unmodified” with no “material” or “significant deficiency” in internal controls.

MTC staff will present a summary of ABAG FY 2024-25 audited financial statements:

FY 2024-25 ABAG Financial Statements

The ABAG financial statements for FY 2024-25 are comprised of five sections:

- Independent Auditors Report (p. 1)—This is the opinion expressed on internal controls and the financial statements.
- Management’s Discussion and Analysis (MD&A) (p. 4)—The MD&A provides a management overview of the information contained in the financial statements as of June 30, 2025.
- Basic Financial Statements (p. 8)—Including:
 - Statement of Net Position

Association of Bay Area Governments

Finance Committee

November 20, 2025

Agenda Item 7.a.

ABAG Audited Financial Statements and Accompanying Reports

- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to Financial Statements (p. 12)—Including descriptions of the ABAG as a reporting entity and certain information considered important to understanding the reporting entity and accounting practices related to ABAG
- Required Supplementary Information (p. 34)—Mainly pension and OPEB liabilities
- Other Supplementary Information (p. 39)—Additional accounting information and details of the ABAG Conduit Financing Pool

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

Issues:

None

Recommended Action:

The ABAG Finance Committee is requested to accept the staff report and recommend ABAG Executive Board acceptance of the Association of Bay Area Governments (ABAG) Audited Financial Statements, Audit Results and Required Communications for Fiscal Year Ended June 30, 2025 and the reappointment of the firm Crowe LLP for the Fiscal Year 2025-26 annual external audit.

Attachments:

- A. Presentation FY 2024-25 ABAG Audit Results and Required Communication
- B. Presentation FY 2024-25 ABAG Financial Reports
- C. FY 2024-25 ABAG Financial Statements (Audited)

Reviewed:



Andrew Fremier



Association of Bay Area Governments

Audit Results and Required Communications

November 20, 2025

Agenda

1

Audit Objectives

2

Audit Results

3

Required
Communications

Audit Objectives



Engagement Objectives

- The objective of an audit of financial statements is to express an opinion that the financial statements are in accordance with accounting principles generally accepted in the United States.
- The audit of financial statements will be performed in accordance with auditing standards generally accepted in the United States (GAAS) and generally accepted Government Auditing Standards (GAGAS).
- Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud.
- Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Our audit includes consideration of internal controls over financial reporting, but we do not express an opinion on the effectiveness of such internal controls. Management is responsible for the design and the effectiveness of internal controls.

Audit Results

Financial Statement Audit Reports



- Independent Auditor’s Report on the financial statements as of and for the year ending June 30, 2025.

Entity	Opinion
ABAG	Unmodified

- We did not identify any significant deficiencies or material weaknesses during our audit.

Other Reporting- Compliance

Uniform Guidance Report

- Major Program:
 - San Francisco Bay Water Quality Improvement Fund

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance.

- No federal findings noted.
- 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*.
 - No instances of non-compliance or other matters noted.
 - No material weakness noted.

Required Communications

Required Communications - 1

- Significant Accounting Policies: Those Charged with Governance should be informed of the initial selection of and changes in significant accounting policies or their application. Management has disclosed the summary of significant accounting policies in footnote 1 of each report.
- Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments.



Required Communications - 2

- Adoption of New Accounting Standards:
 - GASB 101 – Compensated Absences
 - GASB 102 – Certain Risk Disclosures



Required Communications - 3

- Corrected Misstatements: We did not note any material corrected misstatements that were brought to the attention of management as a result of our audit procedures.
- Uncorrected Misstatements: We did not note any uncorrected misstatements that were brought to the attention of management as a result of our audit procedures.



Required Communications - 4

We did not note:

- Significant Accounting Policies in Controversial or Emerging Areas
- Significant Unusual Transactions
- Significant Difficulties Encountered during the Audit
- Disagreements with Management
- Consultations with Other Accountants
- Significant Related Party Findings and Issues
- Independence matters



Questions?



Thank You

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Partner

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FY 2024-25 AUDITED FINANCIAL REPORTS

November 20, 2025

Grace Martinez, CPA

Section Director, Financial Reporting & Operational Accounting



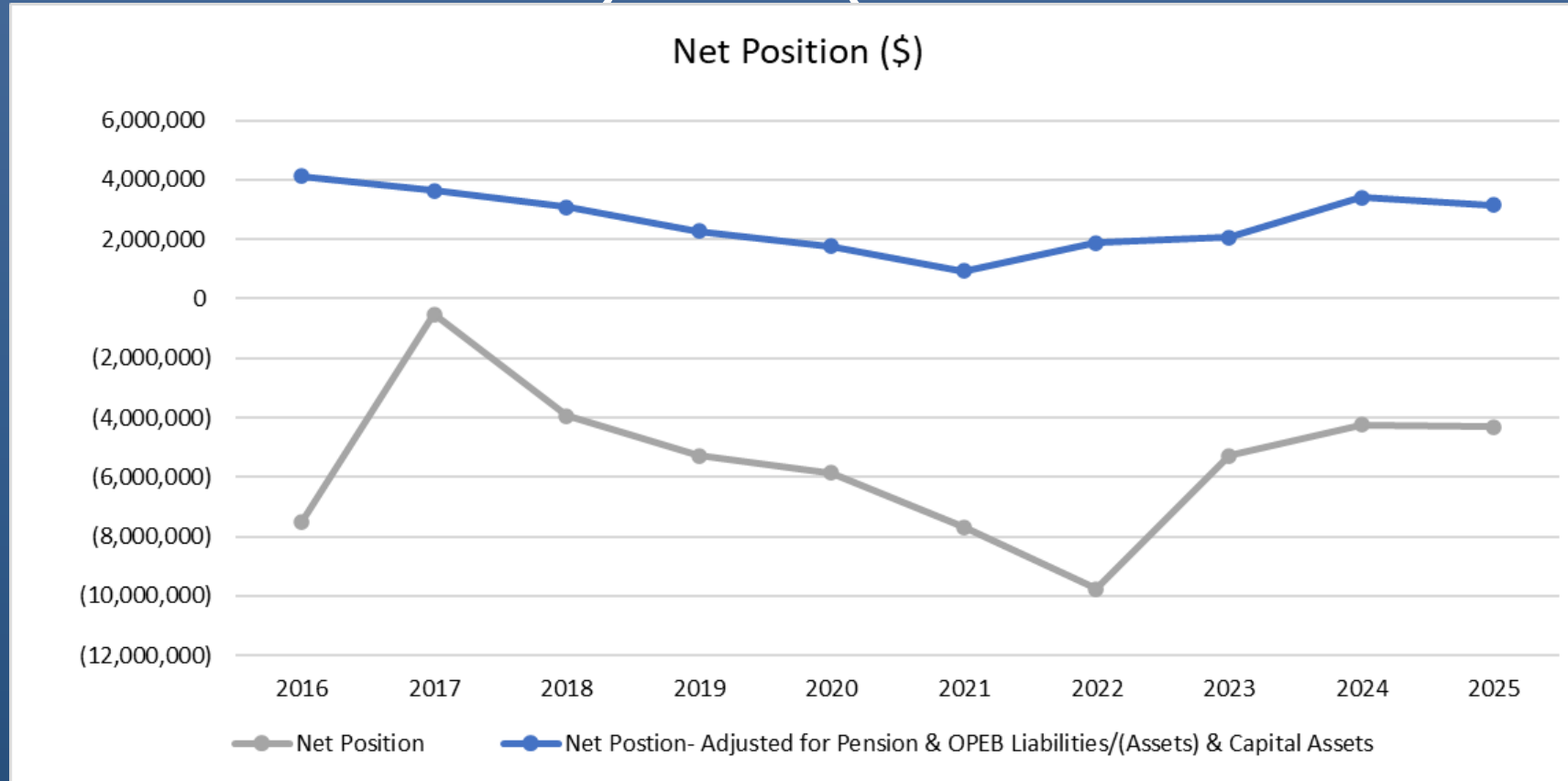
**ASSOCIATION
OF BAY AREA
GOVERNMENTS**

Financial Highlights

- Total operating revenue increased by \$0.15 million in FY 2025.
- Total operating expenses decreased by \$0.09 million in FY2025.
- The BayREN Energy program received grant funding of \$25.39 million in FY 2025.
- The SFEP program received grant funding of \$18.78 million in FY 2025.
- ABAG received funding from Regional Early Action Planning Grant (REAP) of \$2.91 million in FY 2025.

Net position

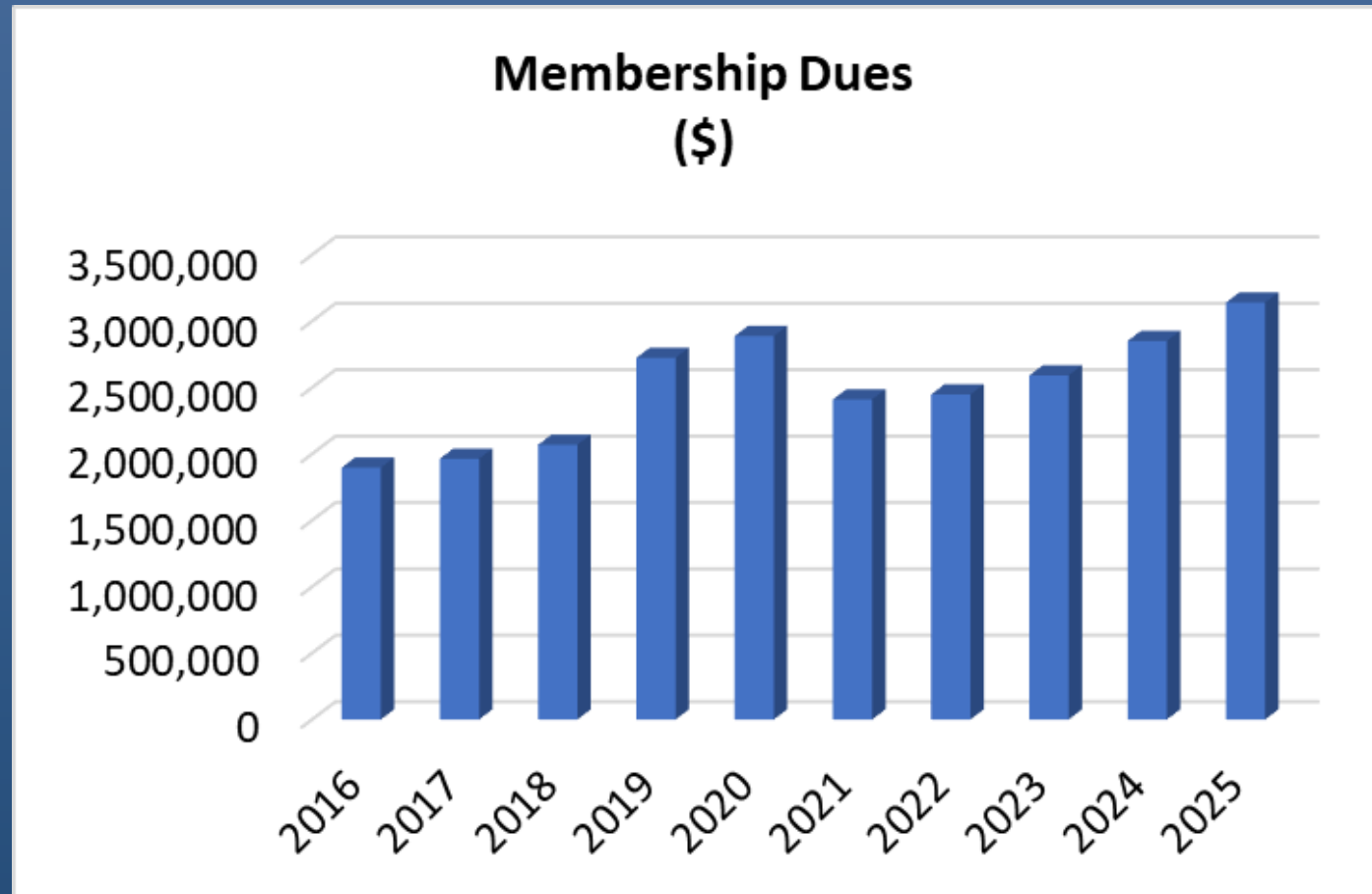
(Assets + Deferred Outflows) minus (Liabilities + Deferred Inflows)



Note:

1. Negative net positions are mainly the result of recognition of the net pension liabilities
2. Gain of \$4.96 million from the sale of the Oakland office condominium in FY2017
3. Increases of \$2.8 million in net pension & OPEB related liabilities in FY2018
4. Decreases of \$4.5 million in net pension & OPEB related liabilities in FY2023
5. Revenues outpaced by expenses in FY2025

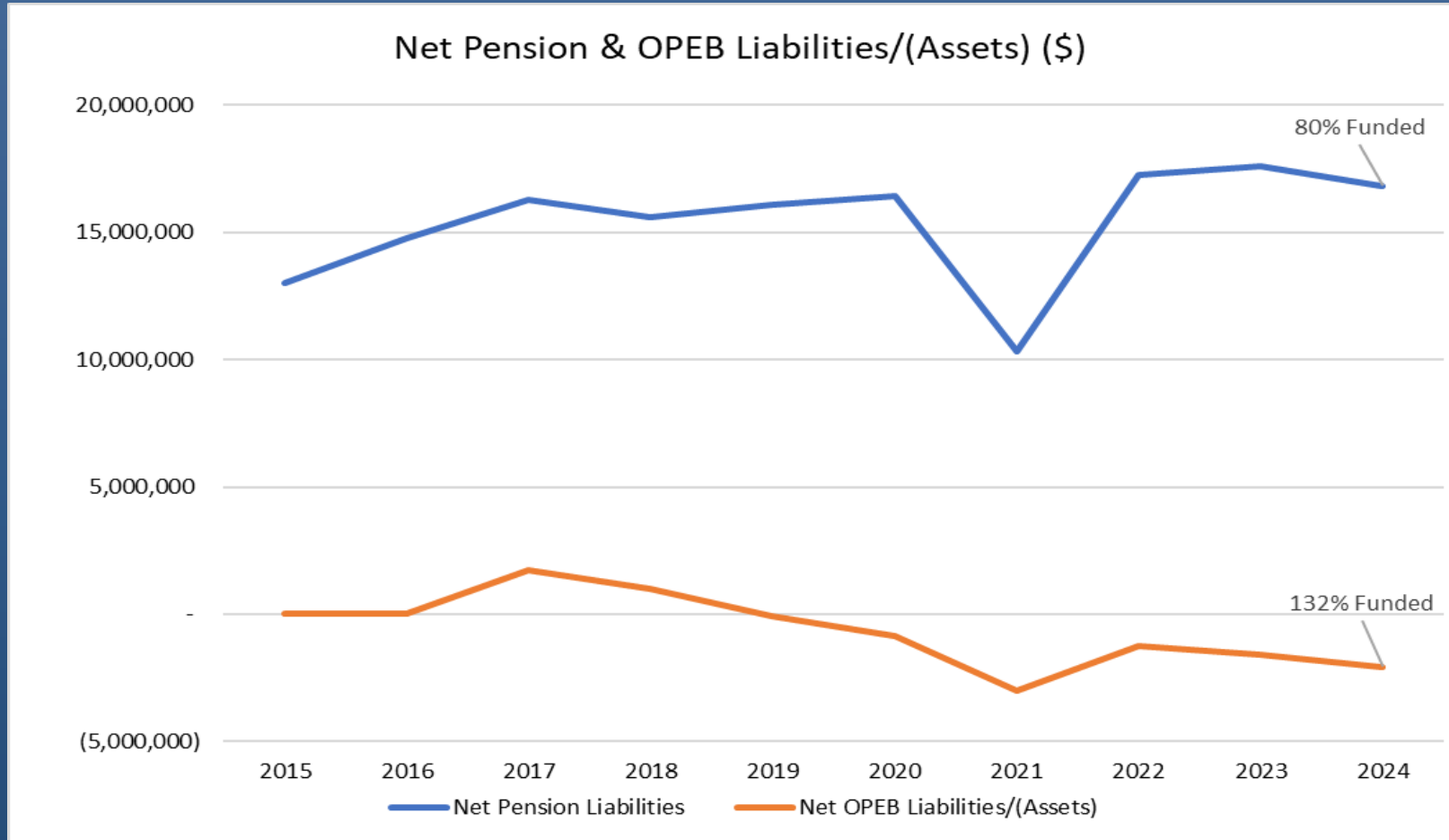
Membership Dues



Note:

1. Increased consistently over the years to cover operating costs.
2. In FY 2019 & FY2020, the County members agreed to a supplemental assessment of \$535,000.

Net Pension & OPEB Liability/(Assets)



Notes:

1. A positive difference of \$9.0 million between projected and actual earnings on pension investments in FY 2021.
2. A negative difference of \$4.9 million between projected and actual earnings on pension investments & changes of assumptions in FY 2022.
3. Net pension liabilities slightly decreased and net OPEB assets slightly increased in FY2025.

Actions Requested from the Committee

- Accept the staff report and recommend to ABAG Executive Board the acceptance of the audited Financial Statements and Accompanying Reports for the Fiscal Year ended June 30, 2025.
- Accept the staff recommendation to reappoint Crowe LLP for the FY 2026 audit.

Association of Bay Area Governments

Financial Statements

For the Year Ended June 30, 2025

Association of Bay Area Governments
Financial Statements
For the Year Ended June 30, 2025
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments ("ABAG"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the ABAG's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the aggregate remaining fund information of the Association of Bay Area Governments, as of June 30, 2025, and the respective changes in financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ABAG, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the ABAG's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 ABAG's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ABAG's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ABAG's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2025 on our consideration of the ABAG'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 solely 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 the effectiveness of the ABAG's 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 ABAG's internal control over financial reporting and compliance.



Crowe LLP

San Francisco, California
October 27, 2025

Management's Discussion and Analysis

This section presents an overview of the financial activities of the Association of Bay Area Governments (ABAG) and its blended component units for the year ended June 30, 2025. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes which follow.

ABAG was created by local governments in the San Francisco Bay region to meet their planning and research needs related to land use, environmental and water resource protection, disaster resilience, energy efficiency and hazardous waste mitigation. In addition to the planning function, ABAG runs two major grant funded programs: San Francisco Estuary Partnership (SFEP) and Bay Area Regional Energy Network (BayREN).

SFEP was established in 1988 by the State of California and the U.S. Environmental Protection Agency under the Clean Water Act's National Estuary Program, after the San Francisco Estuary was designated as an *estuary of national significance*. SFEP manages multiple projects designed to improve the health of the Estuary through the *Estuary Blueprint*, a comprehensive, collective vision for the Estuary's future. SFEP receives funding from federal, state and local agencies for regional-scale restoration, water quality improvement, and resilience-building projects.

BayREN is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by ABAG, BayREN's energy efficiency programs help Bay Area residents and communities become more energy efficient. BayREN is primarily funded through a Public Purpose Program (PPP) Surcharge included on the utility bills of gas and electric ratepayers. The California Public Utilities Commission (CPUC) allocates PPP funding for state-mandated assistance programs for low income customers, energy efficiency programs, and public-interest research and development.

A. Financial Highlights

ABAG's federal, state, and local grants, which are the principal revenue sources of ABAG, make up 93 percent of ABAG revenue. Project grants have continued to increase year over year, contributing to the overall success of ABAG.

Highlights in FY 2025 are as follows:

- The BayREN Energy program received grant funding of \$25.39 million in FY 2025.
- The SFEP program received grant funding of \$18.78 million in FY 2025.
- ABAG received funding from Regional Early Action Planning Grant (REAP) of \$2.91 million in FY 2025.

B. Overview of the Financial Statements

The ABAG's Financial Statements include the *Statement of Net Position*, *Statement of Revenues, Expenses and Changes in Net Position*, and *Statement of Cash Flows*. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America.

The *Statement of Net Position* reports assets plus deferred outflows of resources, liabilities plus deferred inflows of resources and the difference as net position. The *Statement of Revenues, Expenses and Changes in Net Position* consists of operating revenues and expenses and non-operating revenues and expenses. The *Statement of Cash Flows* are presented using the direct method.

The Financial Statements provide information about the financial activities of ABAG's funds. The ABAG fund is presented as a major fund; ABAG Finance Corporation and BALANCE Foundation are presented as non-major funds in an aggregate amount in a separate column.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2025
Management’s Discussion and Analysis (unaudited)

C. Financial Analysis

Statement of Net Position

The following table is a summary of ABAG's Statement of Net Position as of June 30 for the last two fiscal years:

	2025	2024
Assets		
Current assets	\$ 38,824,003	\$ 29,322,394
Noncurrent assets	3,374,247	2,956,781
Capital assets	3,732,495	3,952,053
Total assets	<u>45,930,745</u>	<u>36,231,228</u>
Deferred outflows of resources	<u>5,240,865</u>	<u>6,603,605</u>
Liabilities		
Current liabilities	35,364,503	25,364,979
Noncurrent liabilities	18,442,883	19,498,540
Total liabilities	<u>53,807,386</u>	<u>44,863,519</u>
Deferred inflows of resources	<u>1,687,983</u>	<u>2,216,872</u>
Net position		
Net investment in capital assets	3,732,495	3,952,053
Restricted for:		
Net OPEB asset and deferred outflows from OPEB	2,208,384	—
Unrestricted (deficit)	(10,264,638)	(8,197,611)
Total Net position	<u>\$ (4,323,759)</u>	<u>\$ (4,245,558)</u>

Total assets increased by \$9.70 million in FY 2025. The increase in total assets was primarily due to the advance grants for BayREN’s program.

Total liabilities increased by \$8.94 million in FY 2025. The increase is primarily due to an increase in unearned revenue and retention payable related to SFEP projects. The unearned revenue increase is primarily due to an increase in accumulated advance money for BayREN’s incentive programs. These increases are partially offset with a decrease in the due to other government. ABAG Planning paid off its operating advance loan from Metropolitan Transportation Commission (MTC), which resulted in a decrease in due to other government in FY 2025.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2025
Management's Discussion and Analysis (unaudited)

Statement of Revenues, Expenses, and Changes in Net Position

The following table is a summary of ABAG's Statement of Revenues, Expenses, and Changes in Net Position for the last two fiscal years ended June 30:

	2025	2024
Operating revenues		
Membership dues	\$ 3,139,730	\$ 2,850,654
Conference registration	128,694	222,852
Other operating revenues	82,636	128,848
Total operating revenue	3,351,060	3,202,354
Operating expenses		
Contracted salaries and benefits	2,591,843	1,567,939
Pension and OPEB expense adjustments	(887,911)	(453,549)
Professional fees	348,262	432,164
Allocations to other agencies	201,501	234,562
Conference and meeting costs	4,933	290,902
Other operating expenses	788,406	1,064,227
Total operating expenses	3,047,034	3,136,245
Operating income (loss)	304,026	66,109
Nonoperating revenue and expenses		
Grants	47,087,401	49,622,963
Contracted salaries and benefits	(3,869,171)	(3,301,418)
Professional fees	(24,515,363)	(36,553,524)
Allocations to other agencies	(16,992,616)	(8,166,707)
Interest income	193,549	908,056
Other nonoperating expenses	(2,286,027)	(1,542,595)
Total nonoperating revenue/(expenses)	(382,227)	966,775
Changes in net position	(78,201)	1,032,884
Net position - beginning	(4,245,558)	(5,278,442)
Net position - ending	\$ (4,323,759)	\$ (4,245,558)

Total operating revenue increased by \$0.15 million in FY 2025. The increase is primarily due to an increase in membership dues, offset by a decrease in conference registration and other operating revenues, which includes administrative fees and donations.

Total operating expenses decreased by \$0.09 million. The decrease in operating expenses is primarily due to the decrease in pension expense adjustments related to the GASB 68 adjustment, as well as a decrease in conference and meeting costs and other operating expenses, offset by an increase in contracted salaries and benefits.

Total nonoperating revenue consists of grant revenue and other nonoperating revenues. In FY 2025 ABAG's grant revenue decreased by \$2.54 million, mainly due to the decrease in grant revenue from California Public Utilities Commission (CPUC) and Regional Early Action Planning Grant (REAP), offset by an increase in grant revenue from Department of Water Resource (DWR).

ABAG's total non-operating expenses decreased by \$1.90 million in FY 2025. The decrease in total nonoperating expenses was mainly due to a decrease in contracted professional fees, offset by an increase in allocations to other agencies related to grant funded project expenses.

D. Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in this management discussion and analysis and the financial statements.

E. Capital Asset Administration

ABAG's capital assets include building facilities, furniture and equipment, and capitalized software. ABAG reports its capital assets on an accrual basis. ABAG's investment in capital assets decreased from \$3,952,053 in FY 2024 to \$3,732,495 in FY 2025 primarily due to asset depreciation and amortization of \$219,558. For additional information on ABAG's capital assets, refer to Note 4.

F. Economic Factors

While Gross Domestic Product (GDP) growth and low unemployment paint a strong picture, there are several headwinds that ABAG must consider for FY 2025-26 and beyond.

These headwinds include:

- Inflation, which has remained somewhat higher than the Federal Reserve objectives.
- In an effort to appropriately manage its dual mandate of maximum employment and cost stability, the Federal Reserve has allowed interest rates to remain at levels that are somewhat restrictive of growth.
- Higher interest rates, partly driven by sustained short-term interest rates by the Federal Reserve, and partly by the market reaction to both inflation generally and the Federal Reserve's actions.
- New tariff policies (and the significant uncertainties around these) are having effects on supply chains and increasing costs for businesses and consumers alike.

Requests for information

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

Association of Bay Area Governments
Statement of Net Position
June 30, 2025

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 2,380,211	\$ 23,719	\$ 2,403,930
Cash and cash equivalents - restricted	19,700,433	—	19,700,433
Account receivable	499,000	—	499,000
Loan receivable	67,297	—	67,297
Receivable from federal	1,305,998	—	1,305,998
Receivable from state	7,954,044	—	7,954,044
Receivable from local	191,436	—	191,436
Prepaid items	6,701,865	—	6,701,865
Total current assets	<u>38,800,284</u>	<u>23,719</u>	<u>38,824,003</u>
Non-current Assets:			
Loan receivable	1,309,314	—	1,309,314
Capital assets, net of accumulated depreciation/amortization	3,732,495	—	3,732,495
Net OPEB asset	2,064,933	—	2,064,933
Total non-current assets	<u>7,106,742</u>	<u>—</u>	<u>7,106,742</u>
TOTAL ASSETS	<u>45,907,026</u>	<u>23,719</u>	<u>45,930,745</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows from pension	5,097,414	—	5,097,414
Deferred outflows from OPEB	143,451	—	143,451
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,240,865</u>	<u>—</u>	<u>5,240,865</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	8,343,257	—	8,343,257
Accrued liabilities	95,710	40	95,750
Retention payable	2,227,928	—	2,227,928
Unearned revenue	23,869,560	—	23,869,560
Due to other government	828,008	—	828,008
Total current liabilities	<u>35,364,463</u>	<u>40</u>	<u>35,364,503</u>
Non-current Liabilities:			
Advance from PG&E	1,610,000	—	1,610,000
Net pension liability	16,832,883	—	16,832,883
Total non-current liabilities	<u>18,442,883</u>	<u>—</u>	<u>18,442,883</u>
TOTAL LIABILITIES	<u>53,807,346</u>	<u>40</u>	<u>53,807,386</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
Deferred inflows from pension	1,687,983	—	1,687,983
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,687,983</u>	<u>—</u>	<u>1,687,983</u>
NET POSITION			
Net investment in capital assets	3,732,495	—	3,732,495
Restricted for:			
Net OPEB asset and deferred outflows from OPEB	2,208,384	—	2,208,384
Unrestricted	(10,288,317)	23,679	(10,264,638)
TOTAL NET POSITION	<u>\$ (4,347,438)</u>	<u>\$ 23,679</u>	<u>\$ (4,323,759)</u>

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Revenue, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
OPERATING REVENUES			
Membership dues	\$ 3,139,730	\$ —	\$ 3,139,730
Conference registration	128,694	—	128,694
Other operating revenues	82,636	—	82,636
TOTAL OPERATING REVENUES	3,351,060	—	3,351,060
OPERATING EXPENSES			
Contracted salaries and benefits	2,591,843	—	2,591,843
Pension and OPEB expense adjustments	(887,911)	—	(887,911)
Professional fees	342,696	5,566	348,262
Allocations to other agencies	201,501	—	201,501
Conference and meeting costs	4,933	—	4,933
Building assessments	207,295	—	207,295
Committee members' stipend	53,850	—	53,850
Insurance	225,618	—	225,618
Memberships	36,580	—	36,580
Depreciation and amortization	219,558	—	219,558
Other operating expenses	45,400	105	45,505
TOTAL OPERATING EXPENSES	3,041,363	5,671	3,047,034
OPERATING INCOME/(LOSS)	309,697	(5,671)	304,026
NONOPERATING REVENUES AND (EXPENSES)			
Federal grants	3,985,895	—	3,985,895
State grants	42,538,059	—	42,538,059
Local grants	563,447	—	563,447
Contracted salaries and benefits	(3,869,171)	—	(3,869,171)
Professional fees	(24,515,363)	—	(24,515,363)
Allocations to other agencies	(16,992,616)	—	(16,992,616)
Overhead	(1,405,274)	—	(1,405,274)
Interest income	192,181	1,368	193,549
Other nonoperating expenses	(880,753)	—	(880,753)
TOTAL NONOPERATING REVENUES (EXPENSES)	(383,595)	1,368	(382,227)
CHANGE IN NET POSITION	(73,898)	(4,303)	(78,201)
NET POSITION, BEGINNING OF YEAR	(4,273,540)	27,982	(4,245,558)
NET POSITION, END OF YEAR	\$ (4,347,438)	\$ 23,679	\$ (4,323,759)

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows
For the Year Ended June 30, 2025

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
Cash flows from operating activities			
Cash receipts from customers	\$ 3,147,870	\$ —	\$ 3,147,870
Other operating cash receipts	267,510	—	267,510
Cash payments to suppliers and contractors for goods and services	(1,406,351)	(5,526)	(1,411,877)
Other operating cash payments	(96,898)	(105)	(97,003)
Cash payments for retirees benefits	(2,094,905)	—	(2,094,905)
Net cash used in operating income activities	<u>(182,774)</u>	<u>(5,631)</u>	<u>(188,405)</u>
Cash flows from non-capital financing activities			
Federal grants	3,586,415	—	3,586,415
State grants	57,538,966	—	57,538,966
Local grants	797,893	—	797,893
Contracted salaries and benefits	(4,013,824)	—	(4,013,824)
Professional fees	(35,214,896)	—	(35,214,896)
Allocation to other agencies	(12,248,025)	—	(12,248,025)
Overhead	(1,405,274)	—	(1,405,274)
Due to other government	(3,000,000)	—	(3,000,000)
Other nonoperating expenses	(244,812)	—	(244,812)
Net cash provided by non-capital financing activities	<u>5,796,443</u>	<u>—</u>	<u>5,796,443</u>
Cash flows from investing activities			
Interest and dividends received	<u>200,414</u>	<u>1,368</u>	<u>201,782</u>
Net cash provided by investing activities	<u>200,414</u>	<u>1,368</u>	<u>201,782</u>
Net increase/(decrease) in cash	<u>5,814,083</u>	<u>(4,263)</u>	<u>5,809,820</u>
Balances - beginning of year	<u>16,266,561</u>	<u>27,982</u>	<u>16,294,543</u>
Balances - end of year	<u>\$ 22,080,644</u>	<u>\$ 23,719</u>	<u>\$ 22,104,363</u>

See accompanying notes to financial statements

Association of Bay Area Governments
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2025

	Association of Bay Area Governments	Non-Major Enterprise Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Reconciliation of operating income / (loss) to net cash used in operating activities			
Operating income/(loss)	\$ 309,697	\$ (5,671)	\$ 304,026
Adjustments to reconcile operating income to net cash used in operating income / (loss) activities:			
Depreciation and amortization	219,558	—	219,558
Net effect of changes in:			
Prepaid items	8,767	—	8,767
Accounts receivable	(1,789)	—	(1,789)
Loan receivable	66,747	—	66,747
Net OPEB asset	(484,213)	—	(484,213)
Deferred outflows from pension	958,918	—	958,918
Deferred outflows from OPEB	403,822	—	403,822
Accounts payable	(191,563)	—	(191,563)
Accrued liabilities	(2,585)	40	(2,545)
Due to other government	(193,934)	—	(193,934)
Net pension liability	(747,310)	—	(747,310)
Deferred inflows from pension	(528,889)	—	(528,889)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities	<u>\$ (182,774)</u>	<u>\$ (5,631)</u>	<u>\$ (188,405)</u>

See accompanying notes to financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

ABAG 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 and approve the annual budget.

On April 20, 2017, ABAG Executive Board approved a Contract for Services between ABAG and the Metropolitan Transportation Commission (MTC). As of July 1, 2017, MTC's Executive Director and the staff of MTC perform all of the duties and programmatic work for ABAG and its Local Collaboration Programs (LCP). ABAG remains a separate legal entity, governed by its Executive Board, and retains its mission along with all of its statutory roles and responsibilities as the region's Council of Governments.

ABAG is a membership organization that provides a variety of planning and other service programs for its members. ABAG's principal sources of revenue include membership dues, contributions and grants. The accompanying financial statements present the ABAG operation which is the primary activity, along with the financial activities of its component units, which are entities for which ABAG is financially accountable. Although they are separate legal entities, they are presented in the financial statements as blended component units.

Blended Component Units

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

i) ABAG Finance Corporation (Corporation)

ABAG Finance Corporation is a non-profit public benefit corporation created on June 24, 1985, to aid members in obtaining financing by acting as a credit pooling conduit. 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 leased assets become the property of the member when the obligation is retired. The Corporation did not take on any new debt issuances after the staff consolidation on July 1, 2017.

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

ii) Balance Foundation (BALANCE)

Bay Area Leaders Addressing the Challenge of the Economy and Environment Foundation (BALANCE) is a non-profit, tax-exempt corporation created on September 22, 1987, 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 ABAG.

B. Basis of Presentation

ABAG's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities. ABAG presents its financial statements as enterprise funds and reports the following funds:

Major funds

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

Non-major funds

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 BALANCE described above.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

ABAG's enterprise fund 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.

New Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*, updates the recognition and measurement guidance for compensated absences and associated salary-related payments by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal year beginning after December 15, 2023, and all reporting periods thereafter. ABAG adopted this standard for fiscal year ended June 30, 2025. The adoption of the standard has no impact on ABAG's financial statements.

GASB Statement No. 102, *Certain Risk Disclosures*, requires a government to assess and disclose information regarding certain concentrations or constraints and related events that may have a substantial impact and negatively affect the level of service a government provides. The requirements of this statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The adoption of the standard has no impact on ABAG's financial statements.

D. Net Position

Net position, presented in the financial statements, represents the residual interest in assets plus deferred outflows of resources after liabilities and deferred inflows of resources are deducted. ABAG's net position consists of three sections:

- Net Investment in Capital Assets groups all capital assets into one component of net position. Accumulated depreciation and any outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. There is net investment in capital assets of \$3,732,495, refer to Note 4.
- Restricted Net Position reflects net position that is subject to constraints either (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (2) imposed by law through constitutional provisions or enabling legislation. There is no restricted net position at year end.

- Unrestricted Net Position represents net position of ABAG that is not included in the determination of net investment in capital assets or the restricted component of net position.

E. Cash and Investments

Under the Contract for Services, MTC invests ABAG's available funds in accordance with the provisions of MTC's investment policy and the prudent investor rule. The prudent investor rule states, in essence, that "in investing ... property for the benefit of another, a trustee shall exercise the judgment and care, under the circumstance then prevailing, which people of prudence, discretion, and intelligence exercise in the management of their own affairs." This policy affords ABAG a broad spectrum of investment opportunities as long as the investment is deemed prudent and is authorized under the California Government Code Sections 53600, et seq. ABAG's Administrative Committee adopted MTC's investment policy on June 9, 2017. Allowable investments include the following:

- Securities of the U.S. Government or its agencies
- Securities of the State of California or its agencies
- Certificates of deposit issued by a nationally or state chartered bank
- Authorized pooled investment programs
- Commercial paper – Rated "A1" or "P1"
- Corporate notes – Rated "A" or better
- Municipal bonds – Rated "A1" or "P1" or better
- Mutual funds – Rated "AAA"
- Other investment types authorized by state law and not prohibited in MTC's investment policy.

ABAG applies the provisions of GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, as amended (including by GASB Statement No. 72, *Fair Value Measurement and Application*), which generally requires investments to be recorded at fair value with the difference between cost and fair value recorded as an unrealized gain or loss. ABAG reports its money market securities at cost. This is permissible under this standard provided those investments have a remaining maturity at the time of purchase of one year or less and that the fair value of those investments is not significantly affected by the credit standing of the issuer or other factors. Net increases or decreases in the fair value of investments are shown in the Statement of Revenues, Expenses and Changes in Net Position as interest income.

Cash

ABAG considers all balances in demand deposit accounts and associated sweep money market mutual funds, and the funds in government pools to be cash and cash equivalents.

Restricted Cash

Certain cash is restricted as these assets are either for a specific purpose and grant funded proceeds for SFEP and BayREN programs.

F. Loan Receivable

Loan receivable consists of receivable from multifamily building owners who borrow funds through the BayREN Multifamily Capital Advance Financing Program. Each loan term varies from 10 years to 20 years. Loan payments are collected monthly.

G. Prepaid Items

Certain payments to vendors applicable to future accounting periods are recorded as prepaid items based on the consumption method.

H. Capital Assets

Capital assets, which include buildings and improvements, furniture and equipment, and software, are reported in the Statement of Net Position. Capital asset acquisitions are recorded at historical cost. ABAG’s intangible assets consist of purchased and licensed commercially available computer software and internally developed software.

Capital assets are defined by ABAG as assets with an initial, individual or aggregate cost of more than \$10,000 and an estimated useful life in excess of three years. However, capital assets that do not meet the threshold on an individual basis but are material collectively are capitalized. ABAG follows the guidance in GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion & Analysis - for State and Local Governments* and GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets for recording capital assets*.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset service lives are not capitalized. Depreciation and amortization are computed using the straight-line method that is based upon the estimated useful lives of individual capital assets.

The estimated useful lives of capital assets are as follows:

	Years
Facilities and improvements	5 - 30
Furniture and equipment	3- 10
Capitalized software	3 - 6
SBITA assets	Shorter of the SBITA agreement term or the useful life of the SBITA asset

When assets have been evaluated for impairment, in which the use of capital assets is discontinued or a decision has been made to sell assets and the assets are not continuing to be used, the depreciation and amortization ceases.

I. Subscription-Based Information Technology Arrangements (SBITAs)

ABAG measures the SBITA liability at the present value of payments expected to be made during the SBITA agreement term. Subsequently, the SBITA liability is reduced by the principal portion of the payments made. The SBITA asset is measured at the amount of the initial measurement of the SBITA liability, adjusted for the payments made at or before the agreement commencement date, plus certain initial direct costs. The SBITA asset is amortized on a straight-line basis over the shorter of the SBITA agreement term or the useful life of the SBITA asset.

The key estimates and judgments used to determine the discount rate, SBITA agreement term and SBITA payments are as follows:

- ABAG uses the estimated incremental borrowing rate as the discount rate.
- The SBITA agreement term includes the noncancelable period of the agreement.
- The SBITA payments included in the measurement of the SBITA liability are composed of fixed or variable payments specified on the SBITA agreements.

ABAG's SBITA asset was fully amortized in fiscal year 2024, and no additional SBITA assets were acquired in fiscal year 2025.

J. Due to/from Other Government

The due to/from other government consists of payables to and receivables from MTC. For additional information on the due to/from MTC activities in FY 2025, refer to Note 11.

K. Retirement Plans

ABAG provides a defined benefit pension plan, which provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to Plan members and beneficiaries. The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (Plan) in the California Public Employees' Retirement System (CalPERS).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

GASB 68 allows use of a measurement date up to 12 months before the employer's fiscal year end. Accordingly, for financial reporting purposes, the ABAG total pension liability was determined by CalPERS using a valuation date of June 30, 2023. CalPERS then rolled forward the total pension liability to June 30, 2024, and this is the basis for measuring ABAG's net pension liability reported at June 30, 2025.

Following the staff consolidation on July 1, 2017 and the retirement of the last ABAG employee in January 2018, there have been no additional employees added to the Plan. Future pension liabilities for employees transferred to MTC will be covered by MTC. ABAG remains responsible for its unfunded pension liabilities. 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 Plan. 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. For additional information on the Plan, refer to Note 7.

L. Other Post Employment Healthcare Benefits (OPEB)

ABAG provides post employment medical coverage for eligible retired employees and their eligible dependents through the Public Employees' Medical & Hospital Care Act (PEMHCA) governed by CalPERS. Eligible employees are the employees who were hired prior to July 1, 2009. ABAG established a Section 115 benefit trust fund with the California Employers' Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post retirement healthcare trust fund administered by CalPERS. The benefit trust fund is not recorded as a fiduciary fund by ABAG as the underlying assets are not managed by ABAG.

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position of ABAG's OPEB Plan and additions to/deletions from the OPEB Plan's fiduciary net position have been determined on the same basis. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. Investments are reported at fair value. GASB

Statement No. 75 requires that reported results must pertain to liability and assets information within certain defined timeframes.

For this report, the following timeframes are used.

Valuation Date (VD)	June 30, 2023
Measurement Date (MD)	June 30, 2024
Measurement Period (MP)	July 1, 2023 to June 30, 2024

GASB Statement No. 75 allows the use of a measurement date up to twelve months before the employer's fiscal year end. Accordingly, for financial reporting purposes, ABAG's net OPEB asset at June 30, 2025 was determined using the actuarial valuation of June 30, 2023 and measurement date of June 30, 2024.

Following the ABAG/MTC staff consolidation at July 1, 2017 and subsequent retirement of the last ABAG employee in January 2018, there have been no additional employees added to the ABAG OPEB Plan. Liabilities for consolidated employees now rests with MTC as of July 1, 2017. ABAG remains responsible for its unfunded OPEB liabilities related to ABAG retirees.

For additional information about the Plan, refer to Note 8.

M. Unearned Revenue

The unearned revenue consists of the funds advanced by CPUC grant (passing through PG&E) for the BayREN Programs; Santa Clara Valley Water District for professional staff support; Silicon Valley Community Foundation for SFEP's Youth Council program; Friends of the San Francisco Estuary for the Honey Hive Fund; San Mateo Resource Conservation District to support SFEP program, Bay Area Quality Management District for the Palo Alto Horizontal Levee Project; and State Coastal Conservancy for the Bay Trail projects.

N. Advance from PG&E

PG&E advanced funds from a CPUC grant (passing through PG&E) for the BayRen Multifamily Loan Program. The scope of work ended as of December 31, 2022. The advance funds will be returned to PG&E as the outstanding loans from the Multifamily Program matures or are fully paid off.

O. Deferred Outflows/Inflows of Resources on Pensions and OPEB

Deferred outflows of resources and deferred inflows of resources are recognized for:

- Changes in the total pension and OPEB liability arising from differences between expected and actual experience with regard to economic or demographic factors. *
- The effects of changes of assumptions about future economic or demographic factors or of other inputs. *
- Difference between projected and actual investment earnings on defined benefit pension and OPEB plan investments. **
- Net differences between the ABAG actual contributions and ABAG's proportionate share of the total contributions from employers included in the collective net pension liability. *
- Change in ABAG's proportion of collective net pension liability. *

* The balance on these accounts are recognized in pension and OPEB expenses using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of employees determined as of the beginning of the measurement period.

** The difference between projected and actual earnings amount is recognized in pension and OPEB expenses using a systematic and rational method over a closed five-year period.

Deferred outflows of resources are also used to report ABAG's contribution to CalPERS subsequent to the measurement date of the net pension and OPEB liability and before the end of the reporting period.

Refer to Note 7 and 8 for additional information.

P. Allocation to Other Agencies

Expenses are recorded or accrued related to the period to the extent the invoices are received by ABAG through 60 days after the end of the fiscal year.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Operating and Nonoperating Revenues and Expenses

Operating revenues are those necessary for principal operations of the entity. Operating expenses are those related to user service activities. Nonoperating revenues and expenses are all other revenues and expenses not related to user service activities. All grant related activities including both revenues and expenses are considered nonoperating.

2. NET POSITION

ABAG has a negative net position of \$4,323,759 for fiscal year 2025. The negative net position is mainly the result of recognition of the net pension liability of \$16,832,883, offset by net deferred inflows/outflows of \$3,409,431 from pension at June 30, 2025. Since staff have transitioned from ABAG to MTC employment, ABAG will no longer have any member growth in its pension or OPEB plans. The unfunded OPEB liability was fully funded in the fiscal year 2020 allowing ABAG to draw annual retiree medical costs from the existing trust, the California Employers' Retiree Benefit Trust (CERBT). In addition, with no additional employees, the pension liability should generally reduce over time based on the current CalPERS amortization schedule, though significant fluctuations from year to year will occur based on CalPERS investment performance.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2025
Notes to Financial Statements

3. CASH AND CASH EQUIVALENTS

A. A summary of cash and cash equivalents as shown on the Statement of Net Position for all funds at June 30, 2025 is as follows:

Unrestricted cash and cash equivalents	\$ 2,403,930
Restricted cash and cash equivalents	<u>19,700,433</u>
Total cash and cash equivalents	<u><u>\$ 22,104,363</u></u>

The details of restricted cash and investments are as follows:

SFEP Programs	\$ 325,931
BayREN Programs	19,373,066
State Coastal Conservancy - Bay Trail projects	<u>1,436</u>
	<u><u>\$ 19,700,433</u></u>

B. The composition of cash and cash equivalents at June 30, 2025 is as follows:

Cash at bank	\$ 2,045,327
Government Pools	
Local Agency and Investment Fund	6,017
California Asset Management Program	<u>20,053,019</u>
Total cash and cash equivalents	<u><u>\$ 22,104,363</u></u>

The First American Government Obligations Fund is part of the overnight sweep fund utilized by U.S. Bank demand deposit accounts. The fund invests in U.S. government securities and repurchase agreements collateralized by such obligations. The fund is rated “AAA/Aaa” by Standard and Poor’s and Moody’s, respectively.

The California State Local Agency Investment Fund (LAIF) is a program created by state statute as an investment alternative for California's local governments and special districts. Deposits in LAIF are presented as cash as they are available for immediate withdrawal or deposit at any time without prior notice or penalty and there is minimal risk of principal. LAIF is unrated.

The California Asset Management Program (CAMP) fund is a joint powers authority and common law trust. The Trust’s Cash Reserve Portfolio is a short-term money market portfolio, which seeks to preserve principal, provide daily liquidity and earn a high level of income consistent with its objectives of preserving principal. CAMP funds are available for immediate withdrawal. Therefore, the position in CAMP is classified as cash. CAMP’s money market portfolio is rated “AAA” by Standard and Poor’s.

State law and MTC policy do not limit investments in joint powers authority funds, county or state investment pools as a percentage of the portfolio.

C. Deposit Risk Factors

Custodial credit risk can affect the value of deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, ABAG may not be able to recover its deposits that are in the possession of an outside party. All checking accounts are insured by the Federal Depository Insurance Corporation (FDIC) up to a limit of \$250,000.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2025
Notes to Financial Statements

Under California Government Code Sections 53651 and 53652, depending on specific types of eligible securities, a bank must deposit eligible securities to be posted as collateral with its agent and having a fair value of 110% to 150% of ABAG's cash on deposit.

4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025 is as follows:

	Beginning Balance July 1, 2024	Increases	Decreases	Ending balances June 30, 2025
Capital assets, being depreciated/amortized:				
Facilities and improvements	\$ 5,488,962	\$ —	\$ —	\$ 5,488,962
Furniture and equipment	373,204	—	(46,669)	326,535
Capitalized software	190,030	—	—	190,030
Total capital assets being depreciated/amortized	<u>6,052,196</u>	<u>—</u>	<u>(46,669)</u>	<u>6,005,527</u>
Less accumulated depreciation/amortized for:				
Facilities and improvements	1,536,909	219,558	—	1,756,467
Furniture and equipment	373,204	—	(46,669)	326,535
Capitalized software	190,030	—	—	190,030
Total accumulated depreciation/amortization	<u>2,100,143</u>	<u>219,558</u>	<u>(46,669)</u>	<u>2,273,032</u>
Total capital assets, being depreciated/amortized, net	<u>\$ 3,952,053</u>	<u>\$ (219,558)</u>	<u>\$ —</u>	<u>\$ 3,732,495</u>

5. UNEARNED REVENUE

The unearned revenue consists of grants received in advance of the performance of services. A summary of the outstanding balance of ABAG's unearned revenue as of June 30, 2025 is as follows:

	Beginning Balance as of July 1, 2024	Addition	Reduction	Ending Balance as of June 30, 2025	Due within one year
Unearned Revenue	\$ 10,219,073	\$ 39,462,669	\$ (25,812,182)	\$ 23,869,560	\$ 23,869,560

6. CONDUIT FINANCING PROGRAMS FOR MEMBERS

ABAG assisted 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 ABAG, which acts only as a conduit in pooling each issue. For that reason, ABAG has not recorded a liability for these issues. The ABAG Leasing Pool is no longer issuing new project debt and will allow the existing pool to run out.

Association of Bay Area Governments
Financial Statements for the Year Ended June 30, 2025
Notes to Financial Statements

A summary of the outstanding balances of the ABAG's Conduit Financing Programs as of June 30, 2025 is as follows:

	2025
California Redevelopment Bonds	\$ 2,865,000
California Capital Projects Bonds	2,420,000
Total	<u>\$ 5,285,000</u>

7. PENSION PLAN

A. General Information about the Pension Plan

Plan Description

The ABAG Miscellaneous Rate Plan is part of the public agency cost-sharing multiple-employer Defined Benefit Pension Plan (CalPERS Plan) administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the state of California. The CalPERS Plan consists of individual rate plans (benefit tiers) within a miscellaneous risk pools. The CalPERS Plan assets may be used to pay benefits for any employer rate plan of the miscellaneous risk pools. Benefit provisions under the CalPERS Plan are established by State statute and Agency 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: www.calpers.ca.gov

Benefits Provided

The ABAG's defined benefit pension plan, the Miscellaneous Plan of Association of Bay Area Governments ("ABAG Retirement Plan"), provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Classic members (hired before January 1, 2013) with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. New members (hired after January 1, 2013) with five years of total service are eligible to retire at age 52 with statutorily reduced benefits.

The ABAG Retirement Plan's provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous Plan	
	Tier I	Tier II
	Prior to January 1, 2013	On or after 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- 55	52-62
Monthly benefits, as a percentage of compensation	2.0%-2.5%	1.0%-2%

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On July 1, 2017 all ABAG employees except for one, transferred to MTC. The last employee retired in January 2018. Therefore, there are no active employees in the ABAG Retirement Plan. ABAG remains responsible for its unfunded pension liabilities related to the 307 legacy employees.

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 ABAG Retirement 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. Beginning in fiscal year 2016, CalPERS collects employer contributions as a percentage of payroll for the normal cost portion and as a dollar amount for contributions toward the unfunded liability and side fund. The ABAG required contribution for the unfunded liability and side fund was \$2,220,165 in fiscal year 2025. ABAG did not make contributions for a normal cost portion in fiscal year 2025 because ABAG did not have active employees during fiscal year 2025.

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

As of June 30, 2025, ABAG reported its proportionate share of the net pension liability as \$16,832,883.

ABAG's net pension liability for the ABAG Retirement Plan is measured as the proportionate share of the total net pension liability of the CalPERS Plan. The net pension liability of the CalPERS Plan is measured as of June 30, 2024, and the total pension liability for the CalPERS Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. ABAG's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. ABAG's proportionate share of the net pension liability for the Plan as of June 30, 2024 and 2025 as follows:

	<u>Miscellaneous Plan</u>
Proportion - June 30, 2024	0.35157%
Proportion - June 30, 2025	<u>0.34803%</u>
Change - Increase (Decrease)	<u>(0.00354)%</u>

For the year ended June 30, 2025, ABAG recognized a pension expense of \$1,902,884.

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At June 30, 2025, ABAG 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
Contribution made after the measurement date	\$ 2,220,165	\$ —
Difference between actual and expected experience	1,455,357	(56,787)
Changes in assumption	432,640	—
Difference in actual and proportionate contribution	20,204	(367,247)
Net difference between projected and actual earnings on investments	969,048	—
Adjustments due to differences in proportion	—	(1,263,949)
Total	<u>\$ 5,097,414</u>	<u>\$ (1,687,983)</u>

The \$2,220,165 in the preceding table is reported as deferred outflows of resources related to employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as a pension expense as follows:

Year Ended June 30	Annual Amortization
2026	\$ (25,476)
2027	1,753,713
2028	(206,890)
2029	(332,081)

Actuarial Assumptions

For the measurement period ended June 30, 2024, the total pension liability was determined using the annual actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024.

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The June 30, 2025 total pension liability was based on the following actuarial methods and assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Investment rate of return	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table *	Derived using CalPERS's membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

* The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website: www.calpers.ca.gov.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which 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. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

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The expected real rates of return by asset class are as followed:

Asset Class (a)	Assumed Asset	
	Allocation	Real Return (a),(b)
Global Equity - Cap-weighted	30%	4.54%
Global Equity - Non-Cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	(5)%	(0.59)%
Total	100%	

(a) An expected inflation of 2.30% used for this period.

(b) Figures are based on the 2021 Asset Liability Management study.

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

The following presents ABAG's proportionate share of the net pension liability for the CalPERS Plan, calculated using the discount rate for the CalPERS Plan, as well as what ABAG'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:

	Discount Rate -1%	Current Discount Rate	Discount Rate +1%
	5.90%	6.90%	7.90%
Net Pension Liability	\$24,756,736	\$16,832,883	\$10,310,384

C. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports that can be found on the CalPERS website: www.calpers.ca.gov.

8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

A. Plan Description

ABAG has contracted with CalPERS for the purpose of providing medical insurance benefits for eligible retired employees and eligible survivors of retired employees. The Public Employees' Medical & Hospital Care Act (PEMHCA) governs the CalPERS Health Program. ABAG pays PEMHCA an administration fee. Once a retiree becomes eligible for Medicare, he or she must join a Medicare HMO or a Medicare Supplement plan, with Medicare becoming the primary payer.

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ABAG participates in the California Employers’ Retiree Benefit Trust (CERBT), an irrevocable agent multiple-employer post-retirement healthcare trust established to fund its other post-employment benefits (OPEB). CERBT Fund is a Section 115 trust fund administered by CalPERS, and is managed by an appointed board not under the control of the ABAG Board. This Trust is not considered a component unit by ABAG and has been excluded from these financial statements.

Benefits provided:

For employees hired before July 1, 2009

- Eligible retirees retired before September 1, 1994: ABAG pays 100% of Kaiser single basic premium for the retirees; and ABAG reimburses retirees for the Medicare Part B deductible upon submission of receipt or proof of payment.
- Eligible retirees retired after September 1, 1994: ABAG pays 100% of Kaiser 2-party basic premium for eligible retired employees; reimbursement for the Medicare Part B deductible will be made to the retirees and spouses upon submission of receipt or proof of payment.
- Same benefit continues to surviving spouse if retiree elects CalPERS survivor annuity.

If retirees enroll in more expensive health plans than the Kaiser basic plan, retirees are responsible to pay for the portion exceeding the premium amount that ABAG pays.

For employees hired on or after July 1, 2009, ABAG has no obligation towards retiree health benefits or premium.

On July 1, 2017, all ABAG active employees except for one, transferred to MTC. The last employee retired in January 2018. Therefore, there are no active employees in the ABAG OPEB Plan. ABAG remains responsible for its unfunded OPEB liabilities related to the retired legacy employees.

Eligibility

Employees become eligible to retire directly from ABAG under CalPERS and receive healthcare benefits upon reaching the age of 50 with 5 years of service. Benefits are paid for the lifetime of the retiree or eligible survivor.

Employees covered by benefit terms:

The number of participants eligible to receive benefits at June 30, 2024, the measurement date, are:

Active employees	—
Inactive employees or beneficiaries currently receiving benefit payments	43
Inactive employees entitled to but not yet receiving benefit payments	13
Total	<u>56</u>

Contribution

ABAG annually contributes to the Trust fund based on an actuarially determined contribution (ADC) amount for the reporting period determined based on the funding policy and the most recent measurement available. ABAG fulfilled its contribution and has no further obligation for the fiscal year ended June 30, 2025. There was no covered-employee payroll in fiscal year 2025 because of no active employees in fiscal year 2025.

B. Net OPEB Asset

ABAG's net OPEB asset was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024.

Actuarial Assumptions

The actuarial valuation as of June 30, 2023, rolled forward to June 30, 2024, used the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date	June 30, 2023 (rolled forward to June 30, 2024 measurement date)
Contribution Policy	Contributes full ADC
Discount Rate	6.25% at June 30, 2024
	Expected Association contributions projected to keep sufficient plan asset to pay all benefits from trust
General Inflation	2.50% annually
Expected Long-Term Rate of Return on Investment	6.25% annually
Medical Trend Rate	Non-Medicare - 8.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076
	(Non-Kaiser) - 7.5% for 2025, decreasing to an ultimate rate of 3.45% in 2076
	Medicare (Kaiser) - 6.25% for 2025, decreasing to an ultimate rate of 3.45% in 2076
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
PEMHCA Minimum Increase	3.50% annually
Changes of Assumptions	None
Changes of Benefit Terms	None

Expected Long-Term Rate of Return:

Asset Class Component	Target Allocation	
	CERBT-Strategy 1 Allocation	Expected Real Rate of Return
Global Equity	49%	4.56%
Fixed Income	23%	1.56%
Treasury Inflation-Protected Securities (“TIPS”)	5%	(0.08)%
Commodities	3%	1.22%
Real Estate Investment Trusts (“REITs”)	20%	4.06%
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		6.25%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that ABAG’s contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

C. OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in a separately issued CERBT financial report that can be found on the CalPERS website: www.calpers.ca.gov.

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D. Changes in Net OPEB Liability/(Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability/(Asset)
Balance as of June 30, 2024 (6/30/23 measurement date)	\$6,470,811	\$8,051,531	\$(1,580,720)
Changes for the year			
Service cost	—	—	—
Interest on the total OPEB liability	389,228	—	389,228
Changes in benefit terms	—	—	—
Actual vs. expected experience	—	—	—
Assumption changes	—	—	—
Contributions - employer	—	—	—
Net investment income	—	878,034	(878,034)
Benefit payments	(486,324)	(486,324)	—
Administrative expenses	—	(4,593)	4,593
Net changes	(97,096)	387,117	(484,213)
Balance at June 30, 2025 (6/30/24 measurement date)	<u>\$6,373,715</u>	<u>\$8,438,648</u>	<u>\$(2,064,933)</u>

Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Discount Rate

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current discount rate:

	Discount Rate		
	1% Decrease (5.25)%	Current Discount Rate (6.25)%	1% Increase (7.25)%
Net OPEB Liability/(Asset)	\$(1,378,571)	\$(2,064,933)	\$(2,640,549)

Sensitivity of the Net OPEB Liability/(Asset) to the Changes in the Healthcare Cost Trend Rate

The following presents what ABAG's net OPEB liability/(asset) would be if it were calculated using a healthcare cost trend rate that is 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
Net OPEB Liability/(Asset)	\$(2,625,343)	\$(2,064,933)	\$(1,408,407)

E. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2025, ABAG recognized an OPEB credit of \$80,391 due to a debit recognition of \$103,906 from the net difference between projected and actual earnings on investments of \$547,273 in FY 2024. At June 30, 2025, ABAG reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>Resources</u>	<u>Resources</u>
Net difference between projected and actual earnings on plan investments	\$ 143,451	\$ —
Total	<u>\$ 143,451</u>	<u>\$ —</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Fiscal Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2026	\$ (25,811)
2027	318,126
2028	(73,885)
2029	(74,979)

9. CONTINGENCIES

ABAG's grant funded projects are subject to audit by the respective grantors. The final determination of allowable project costs can be made only after the grantors' audits are completed and final rulings by the grantors' administrative departments are obtained. Disallowed expenditures, if any, must be absorbed by ABAG. ABAG is involved in various claims and litigation that are considered normal to ABAG's activities. In the opinion of ABAG's management, the ultimate resolution of these matters will not have a material adverse effect on ABAG's financial statements.

10. RISK MANAGEMENT

ABAG is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. ABAG transfers its risks by purchasing commercial insurance through an insurance broker, who obtains the appropriate insurance coverage needed by ABAG from insurance companies. No settlement amounts have exceeded commercial insurance coverage for the past three years. Insurance coverages are subject to market volatility. Therefore, where it makes financial sense, ABAG retains part of all its risk but only after diligent executive review of any risk retention decision.

11. RELATED PARTY TRANSACTIONS

The 375 Beale Condominium Corporation

The 375 Beale Condominium Corporation (the “375 Beale Condo”) was incorporated in June 2017 in the state of California under the Non-profit Mutual Benefit Corporation Law. The 375 Beale Condo was formed to provide for the management of the association for the three condominium owners: Bay Area Headquarters Authority (BAHA), Bay Area Air Quality Management District (BAAQMD), and the Association of Bay Area Governments (ABAG), in the property known as 375 Beale Street, San Francisco, California.

375 Beale Condo exercises a custodial responsibility on behalf of the owner occupants and assesses sufficient amounts to meet all required expenditures of the common area and joint used space. The 375 Beale Condo collects two types of assessment fees: common area and shared services. Assessment fees are predetermined yearly by the budget approved by the board. The assessment fees billed to ABAG for common area assessments and shared services assessment fees were \$207,295 and \$202,762 for FY 2025. The common area and services assessments fees is recorded in the building assessments at June 30, 2025.

On December 2021, MTC Board approved Resolution No.4459, in which it authorized MTC to refund ABAG's shared services assessments fees contribution. In FY 2025, ABAG received a refund in the amount of \$202,762 for the FY 2025 shared service cost paid to 375 Beale Condo. This refund is netted with the assessments fee recorded in the building assessments at June 30, 2025.

Metropolitan Transportation Commission (MTC)

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 MTC staff will perform all of the duties and programmatic work for ABAG. On July 1, 2017 all members of ABAG staff, excluding ABAG's Legal Counsel, who retired on January 5, 2018, were merged into the staff of MTC as new employees of MTC. Total FY 2025 administrative support service of \$5,282,784 is recorded in contracted salaries and benefits and overhead expenses at June 30, 2025.

On October 23, 2019, MTC board approved an operational advance to ABAG in the amount not to exceed \$8 million to assist ABAG with its cash flows needs. The advance will be drawn by ABAG as needed. ABAG will be charged a 1% fee on any drawn amounts. MTC authorized up to \$2 million of the operational advance for longer term project loans which included \$1 million for the ABAG Bay Area Regional Energy Network (BayREN) Water Bill Savings Program. On December 8, 2021, the MTC Commission approved an extension of the ABAG Operational Advance for Liquidity and Cash Flow through December 2023. On December 20, 2023, the MTC Commission approved an extension of the ABAG Operational Advance for Liquidity and Cash Flow through December 2025. The extension authorizes operational advance to ABAG in the amount not to exceed \$10 million to assist ABAG with its cash flows needs. The advance will be drawn by ABAG as needed. ABAG will be charged interest for operational advance beginning January 1, 2025, equivalent to the California Pooled Money Investment Account average monthly effective yield on any drawn amounts. During fiscal year 2022 ABAG utilized \$250,000 from the \$1 million authorized loan for the BayREN Water Bill Savings program. ABAG paid off \$183,521 as of June 30, 2025, with a remaining balance of \$66,479, which is recorded in current due to other governments at June 30, 2025.

On December 21, 2023, ABAG drew down \$3 million for the operation advance for the ABAG Planning REAP Program. ABAG paid the \$3 million to MTC on January 2, 2025.

Advancing California Finance Authority (ACFA)

The Advancing California Finance Authority (“ACFA”) was created on January 1, 2018, as a joint exercise of powers agency established by ABAG and ACFA's blended component unit ABAG Finance Authority for Nonprofit Corporation (“ABAG FAN”) pursuant to the Chapter 5, Division 7 and Title I of the Government Code Section 6500 of the State of California. ABAG and ABAG FAN are also joint exercise of powers agencies created and existing under the California Joint Exercise of Powers Act, Sections 6500 through 6599.3 (“Joint Powers Act”).

ABAG FAN assists non-profit corporations and local governments in obtaining financing. Prior to July 1, 2017, ABAG contracted with ABAG FAN to provide administrative support. Since July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement between ABAG and MTC.

ABAG Publicly Owned Energy Resources (POWER)

ABAG Publicly Owned Energy Resources (POWER) provides gas energy aggregation services to participating members. Prior to July 1, 2017, ABAG contracted with POWER to provide administrative support. Since July 1, 2017, the support services are provided by MTC staff through a Contract for Services agreement.

San Francisco Bay Restoration Authority (SFBRA)

The San Francisco Bay Restoration Authority (SFBRA) is a regional entity established by the San Francisco Bay Restoration Authority Act, Government Code section 66700 et seq. that is charged with raising and allocating local resources for the protection and enhancement of tidal wetlands and other wildlife habitat in and surrounding the San Francisco Bay. SFBRA successfully placed the San Francisco Bay Clean Water, Pollution Prevention and Habitat Restoration Measure (“Measure AA”), a regional special tax measure, on the June 2016 ballot to raise such funds.

On October 24, 2016, the State Coastal Conservancy (SCC), ABAG and SFBRA entered into a joint powers agreement that provides for SCC and ABAG to perform staff functions for SFBRA (“JPA”). Subsequent to the execution of the JPA, on May 30, 2017 ABAG and MTC entered into the Contract for Services under which MTC assumed staff functions for ABAG, commencing July 1, 2017.

Bay Area Housing Finance Authority (BAHFA)

The Bay Area Housing Finance Authority (BAHFA) was established in January 2020 pursuant to the California Government Code Section 64510 (a) (1) to provide a regional financing mechanism for affordable housing production, preservation, and tenant protections in the San Francisco Bay area, including charter cities. BAHFA is governed by the same board that governs MTC. Section 6411 (a)(1) provides that the Association of Bay Area Government Executive Board is to review and approve the BAHFA regional expenditures plan.

Required Supplementary Information

Association of Bay Area Governments
Cost-Sharing Defined Benefit Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years

Schedule I

Measurement Date	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous
	Tier I & II 2015	Tier I & II 2016	Tier I & II 2017	Tier I & II 2018	Tier I & II 2019	Tier I & II 2020	Tier I & II 2021	Tier I & II 2022	Tier I & II 2023	Tier I & II 2024
Employer's proportion of the collective net pension liability/asset	0.4738 %	0.4246 %	0.4132 %	0.4141 %	0.4016%	0.3898%	0.5438%	0.3685%	0.3516%	0.3480%
Employer's proportionate share of net pension liability/(asset)	\$ 12,998,297	\$ 14,749,850	\$ 16,288,587	\$ 15,604,366	\$ 16,083,129	\$ 16,441,481	\$ 10,325,576	\$ 17,243,811	\$ 17,580,193	\$ 16,832,883
Employer's covered payroll *	\$ 6,198,473	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Employer's proportionate share of the collective net pension liability/(asset) as a percentage of its covered payroll	209.70 %	244.34 %	279.26 %	20901.97 %	—	—	—	—	—	—
The pension plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	79.89 %	75.87 %	75.39 %	77.69 %	77.73%	77.71%	90.49%	78.19%	77.97%	79.91%

Notes to Schedule

* The last employee retired in January 2018. There was no active employees thereafter.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016.

**Association of Bay Area Governments
 Cost-Sharing Defined Benefit Pension Plan
 Schedule of Employer Contributions - Pension (unaudited)
 For the Fiscal Year Ended June 30
 Last Ten Years**

Schedule II

Fiscal Year Date	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan	Miscellaneous Plan
	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II	Miscellaneous Tier I & II
	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Actuarially determined contribution	\$ 491,374	\$ 2,744,108	\$ 1,293,682	\$ 1,391,147	\$ 1,754,472	\$ 1,567,077	\$ 1,613,506	\$ 1,743,993	\$ 1,219,027	\$ 2,220,165
Contributions in relation to the actuarially determined contributions	\$ (491,374)	\$ (2,744,108)	\$ (1,293,682)	\$ (1,391,147)	\$ (1,754,472)	\$ (1,567,077)	\$ (1,613,506)	\$ (1,743,993)	\$ (1,219,027)	\$ (2,220,165)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll *	\$ 6,036,594	\$ 5,832,772	\$ 74,655	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions as a percentage of covered payroll	8.14%	47.05%	1732.88%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule of Contributions

* The last employee retired in January 2018. There was no active employees thereafter.

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2024-25 were derived from the June 30, 2022 funding valuation report.

Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method/Period	For details, see June 30, 2022 Funding Valuation Report.
Asset Valuation Method	Market value of Assets. For details, see June 30, 2022 Funding Valuation Report.
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Payroll Growth	2.80%
Investment Rate of Return	6.80% Net of Pension Plan Investment and Administrative Expenses; includes Inflation.
Retirement Age	The probabilities of Retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Mortality rated are incorporated full generational mortality improvement using 80% of Scale MP-2020 published of Actuaries.

Association of Bay Area Governments
Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years*

Schedule III

Measurement Period	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Changes in Total OPEB liability								
Service cost	\$ 6,314	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest on the total OPEB liability	499,585	500,228	499,860	474,766	472,072	430,175	425,247	389,228
Difference between actual and expected experience	—	—	(162,855)	—	(458,748)	—	(825,295)	—
Changes of assumptions	—	—	(183,250)	—	120,982	—	572,233	—
Benefit payments	(485,483)	(494,650)	(516,714)	(534,301)	(495,074)	(524,697)	(487,278)	(486,324)
Net change in total OPEB liability	20,416	5,578	(362,959)	(59,535)	(360,768)	(94,522)	(315,093)	(97,096)
Total OPEB liability - beginning	7,637,694	7,658,110	7,663,688	7,300,729	7,241,194	6,880,426	6,785,904	6,470,811
Total OPEB liability - ending (a)	<u>\$ 7,658,110</u>	<u>\$ 7,663,688</u>	<u>\$ 7,300,729</u>	<u>\$ 7,241,194</u>	<u>\$ 6,880,426</u>	<u>\$ 6,785,904</u>	<u>\$ 6,470,811</u>	<u>\$ 6,373,715</u>
Changes in OPEB fiduciary net position								
Benefit payments	\$ (485,483)	\$ (494,650)	\$ (516,714)	\$ (534,301)	\$ (495,074)	\$ (524,697)	\$ (487,278)	\$ (486,324)
Contribution from employer	774,994	766,499	773,664	987,853	—	—	—	—
Net investment income	562,294	469,061	438,625	288,260	2,266,684	(1,318,377)	516,158	878,034
Administrative expenses	(2,814)	(12,593)	(2,556)	(5,225)	(4,117)	(3,522)	(3,687)	(4,593)
Net change in plan fiduciary net position	848,991	728,317	693,019	736,587	1,767,493	(1,846,596)	25,193	387,117
Plan fiduciary net position - beginning	5,098,527	5,947,518	6,675,835	7,368,854	8,105,441	9,872,934	8,026,338	8,051,531
Plan fiduciary net position - ending (b)	<u>5,947,518</u>	<u>6,675,835</u>	<u>7,368,854</u>	<u>8,105,441</u>	<u>9,872,934</u>	<u>8,026,338</u>	<u>8,051,531</u>	<u>8,438,648</u>
Plan net OPEB liability/(asset) - ending (a) - (b)	<u>\$ 1,710,592</u>	<u>\$ 987,853</u>	<u>\$ (68,125)</u>	<u>\$ (864,247)</u>	<u>\$ (2,992,508)</u>	<u>\$ (1,240,434)</u>	<u>\$ (1,580,720)</u>	<u>\$ (2,064,933)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	77.66%	87.11%	100.93%	111.94%	143.50%	118.30%	124.40%	132.40%
Covered-employee payroll **	6,655,535	126,057	—	—	—	—	—	—
Plan net OPEB liability/(asset) of as a percentage of covered-employee payroll	25.70%	783.66%	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only eight years are shown.

** The last employee retired in January 2018. There were no active employees thereafter.

In 2022-23, the discount rate was updated at a rate of 6.25% and long-term expected rate of return on assets assumptions of 6.25%.

Mortality projected fully generated with Scale MP-2021 in June 30, 2023 (rolled forward to June 30, 2024 measurement date). Decreased medical trend rate of 6.25% for Kaiser in 2025, projected decrease at a rate of 3.45% in 2076. Medical trend rate of 8.50% for Non-Medicare in 2025, projected decrease of 3.45% in 2076. Medical trend rate of 7.50% for Medicare (Non-Kaiser) in 2025, projected to decrease rate of 3.45% in 2076.

Association of Bay Area Governments
Schedule of Employer Contributions - OPEB (unaudited)
For the Measurement Periods Ended June 30
Last Ten Years*

Schedule IV

	Fiscal Year 2017-2018	Fiscal Year 2018-2019	Fiscal Year 2019-2020	Fiscal Year 2020-21	Fiscal Year 2021-22	Fiscal Year 2022-23	Fiscal Year 2023-24	Fiscal Year 2024-25
Actuarially determined contribution **	\$ 752,000	\$ 93,000	\$ 93,000	\$ (164,000)	\$ (165,000)	\$ (226,000)	\$ (226,000)	\$ (186,000)
Contributions in relation to the actuarially determined contribution	(766,499)	(773,664)	(987,853)	—	—	—	—	—
Contribution deficiency (excess)	\$ (14,499)	\$ (680,664)	\$ (894,853)	\$ (164,000)	\$ (165,000)	\$ (226,000)	\$ (226,000)	\$ (186,000)
Covered-employee payroll ***	\$ 126,057	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contribution as a percentage of covered-employee payroll	608.06%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

* Fiscal year 2018 was the first year of implementation of GASB 75, therefore only eight years are shown.

** The June 30, 2023 actuarial valuation provided the Actuarially Determined Contributions for fiscal years ending 6/30/24 and 6/30/25.

*** The last employee retired in January 2018. There were no active employees thereafter.

Methods and assumptions for 2024-2025 actuarially determined contribution:

Valuation Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal, Level % of pay
Amortization Method	Level dollar
Amortization Period	13-year fixed period for 2024/25
Asset Valuation Method	Market value of assets
Discount Rate	6.25%
General Inflation	2.50%
Mortality	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021

Other Supplementary Information

Association of Bay Area Governments
Schedule of Net Position - ABAG
June 30, 2025

Schedule 1

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Assets					
Current Assets:					
Cash and cash equivalents	\$ 1,869,399	\$ 429,288	\$ —	\$ 81,524	\$ 2,380,211
Cash and cash equivalents - restricted	—	325,931	19,373,066	1,436	19,700,433
Account receivable	499,000	—	—	—	499,000
Loan receivable	—	—	67,297	—	67,297
Receivable from federal	—	1,305,998	—	—	1,305,998
Receivable from state	—	6,512,063	20,400	1,421,581	7,954,044
Receivable from local	—	81,646	87,201	22,589	191,436
Prepaid items	22,680	20	6,679,165	—	6,701,865
Total current assets	2,391,079	8,654,946	26,227,129	1,527,130	38,800,284
Non-current Assets:					
Loan receivable	—	—	1,309,314	—	1,309,314
Capital assets, net of accumulated depreciation/amortization	3,732,495	—	—	—	3,732,495
Net OPEB asset	2,064,933	—	—	—	2,064,933
Total non-current assets	5,797,428	—	1,309,314	—	7,106,742
Total Assets	8,188,507	8,654,946	27,536,443	1,527,130	45,907,026
Deferred Outflows of Resources					
Deferred outflows from pension	5,097,414	—	—	—	5,097,414
Deferred outflows from OPEB	143,451	—	—	—	143,451
Total Deferred Outflows of Resources	5,240,865	—	—	—	5,240,865
Liabilities					
Current Liabilities:					
Accounts payable	43,909	4,953,678	2,160,808	1,184,862	8,343,257
Accrued liabilities	22,693	62,950	10,067	—	95,710
Retention payable	—	2,227,928	—	—	2,227,928
Unearned revenue	—	325,931	23,542,193	1,436	23,869,560
Due to other government	14,353	390,576	213,999	209,080	828,008
Total current liabilities	80,955	7,961,063	25,927,067	1,395,378	35,364,463
Non-current Liabilities:					
Advance from PG&E	—	—	1,610,000	—	1,610,000
Net pension liability	16,832,883	—	—	—	16,832,883
Total non-current liabilities	16,832,883	—	1,610,000	—	18,442,883
Total liabilities	16,913,838	7,961,063	27,537,067	1,395,378	53,807,346
Total Deferred Inflows of Resources					
Deferred Inflows from pension	1,687,983	—	—	—	1,687,983
Total Deferred Inflows of Resources	1,687,983	—	—	—	1,687,983
Net Position					
Net investment in capital assets	3,732,495	—	—	—	3,732,495
Restricted for:					
Net OPEB asset and deferred outflows from OPEB	2,208,384	—	—	—	2,208,384
Unrestricted	(11,113,328)	693,883	(624)	131,752	(10,288,317)
Total Net Position	\$ (5,172,449)	\$ 693,883	\$ (624)	\$ 131,752	\$ (4,347,438)

Association of Bay Area Governments
Schedule of Revenues, Expenses and Changes in Net Position - ABAG
For the Year Ended June 30, 2025

Schedule 2

	ABAG Admin	ABAG SFEP	ABAG Energy	ABAG Planning	Total Association of Bay Area Governments
Total Operating Revenue					
Membership dues	\$ 3,139,730	\$ —	\$ —	\$ —	\$ 3,139,730
Conference registration	—	128,694	—	—	128,694
Other operating revenues	4,059	78,577	—	—	82,636
Total Operating Revenue	3,143,789	207,271	—	—	3,351,060
Operating Expenses					
Contracted salaries and benefits	2,583,504	8,339	—	—	2,591,843
Pension and OPEB expense adjustments ¹	(887,911)	—	—	—	(887,911)
Professional fees	246,961	95,735	—	—	342,696
Allocations to other agencies	192,847	8,654	—	—	201,501
Conference and meeting costs	—	4,933	—	—	4,933
Building assessments	207,295	—	—	—	207,295
Committee members' stipend	53,850	—	—	—	53,850
Insurance	225,618	—	—	—	225,618
Memberships	32,080	4,500	—	—	36,580
Depreciation and amortization	219,558	—	—	—	219,558
Other operating expenses	33,999	11,401	—	—	45,400
Total Operating Expenses	2,907,801	133,562	—	—	3,041,363
Operating Income	235,988	73,709	—	—	309,697
Nonoperating Revenue and Expenses					
Federal grants	—	3,985,895	—	—	3,985,895
State grants	—	14,399,589	25,224,845	2,913,625	42,538,059
Local grants	—	399,007	164,440	—	563,447
Contracted salaries and benefits	—	(2,403,786)	(1,465,385)	—	(3,869,171)
Professional fees	—	(443,464)	(22,871,830)	(1,200,069)	(24,515,363)
Allocations to other agencies	—	(15,279,061)	—	(1,713,555)	(16,992,616)
Overhead	—	(625,259)	(780,015)	—	(1,405,274)
Interest income	87,487	43,326	—	61,368	192,181
Other nonoperating expenses	—	(50,730)	(829,407)	(616)	(880,753)
Total Nonoperating Revenue/(Expenses)	87,487	25,517	(557,352)	60,753	(383,595)
Changes in Net Position	323,475	99,226	(557,352)	60,753	(73,898)
Net Position, beginning of year	(5,495,924)	594,657	556,728	70,999	(4,273,540)
Net Position, end of year	\$ (5,172,449)	\$ 693,883	\$ (624)	\$ 131,752	\$ (4,347,438)

¹ Includes: recognition of GASB 68 (pension) and GASB 75 (OPEB) expense adjustment of \$842,911 and a credit of \$45,000 for OPEB Implicit Subsidy.

Association of Bay Area Governments
Combining Statement of Net Position
Non-Major Enterprise Funds
June 30, 2025

Schedule 3

	BALANCE Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
ASSETS			
Cash and cash equivalents	\$ 16,144	\$ 7,575	\$ 23,719
TOTAL ASSETS	<u>16,144</u>	<u>7,575</u>	<u>23,719</u>
LIABILITIES			
Accrued liabilities	20	20	40
TOTAL LIABILITIES	<u>20</u>	<u>20</u>	<u>40</u>
NET POSITION			
Unrestricted	16,124	7,555	23,679
TOTAL NET POSITION	<u>\$ 16,124</u>	<u>\$ 7,555</u>	<u>\$ 23,679</u>

Association of Bay Area Governments
Combining Statement of Revenues, Expenses and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended June 30, 2025

Schedule 4

	BALANCE Foundation	ABAG Finance Corporation	Total Non- Major Enterprise Funds
OPERATING EXPENSES			
Professional fees	\$ 2,783	\$ 2,783	\$ 5,566
Other operating expenses	55	50	105
TOTAL OPERATING EXPENSES	<u>2,838</u>	<u>2,833</u>	<u>5,671</u>
OPERATING INCOME/(LOSS)	<u>(2,838)</u>	<u>(2,833)</u>	<u>(5,671)</u>
NONOPERATING REVENUES AND (EXPENSES)			
Interest income	884	484	1,368
TOTAL NONOPERATING REVENUES	<u>884</u>	<u>484</u>	<u>1,368</u>
CHANGE IN NET POSITION	<u>(1,954)</u>	<u>(2,349)</u>	<u>(4,303)</u>
Net Position, beginning of year	18,078	9,904	27,982
Net Position, end of year	<u>\$ 16,124</u>	<u>\$ 7,555</u>	<u>\$ 23,679</u>

Association of Bay Area Governments
Schedule of ABAG Conduit Financing Pool
For the Year Ended June 30, 2025

Schedule 5

Transactions	Original Issue Date	Final Maturity	Original Issuance Balance	Balance as of 6/30/2025
ABAG 1994 Tax Allocation Revenue Bonds, Series A and B (California Redevelopment Agency Pool) ⁽¹⁾	6/29/1994	12/15/2024	\$ 43,695,000	\$ —
ABAG 2006 Revenue Bonds, Series A (California Tax Allocation Bonds)	4/11/2006	9/1/2026	9,605,000	2,700,000
ABAG Lease Revenue Bonds, 2002-1 (California Capital Projects)	7/18/2002	7/1/2032	13,370,000	2,420,000
ABAG 2004 Tax Allocation Revenue Bonds, Series B (California Redevelopment Agency Pool)	12/15/2004	9/1/2035	8,875,000	165,000
Total 4 transactions			<u>\$ 75,545,000</u>	<u>\$ 5,285,000</u>

⁽¹⁾ This bond issue was fully redeemed on December 15, 2024.