

TO: Finance and Personnel Committee

DT: August 20, 2014

FM: Herbert Pike, Finance Director

Re: Financial Reports  
-- June 2014

The following are highlights of the financial reports for June 2014.

### **Overall Summary**

ABAG recognized a surplus of \$639 thousand for the year ended June 30, 2014. Of this amount, \$50 thousand was set aside for contingency reserve pursuant to the existing policy direction. The surplus was derived primarily from Agency Administration, the Training Center/Publications, and the Payroll Clearing Account. During the year, employees worked on more billable projects than expected and resulted in lower spending on dues-funded activities. The Training Center/Publications yielded a surplus of \$64 thousand. The surplus from the Payroll Clearing Account was primarily attributed to low vacation usage and favorable recovery from some benefits. Savings in this account might be used to offset excess expenses and under recovery of benefits in future years. For example, unemployment claim payments in FY 14-15 or future years may exceed amounts collected in those years. Excess collections from prior years may also be used to cover the shortfalls or unfunded actuarial accrued liabilities. Please refer to the **Table of Financial Report Data Elements** for actual and adopted numbers.

### **Cash on Hand**

The cash balance was \$7.25 million at the end of June including \$2.2 million invested with the Local Agency Investment Fund (LAIF). There was a slight decrease of \$58 thousand from the prior month and a significant increase of \$2.16 million from the prior year. Figure 1 depicts the actual cash balances for FY 13 and FY 14. The high cash balance is primarily attributed to grant advances for SFEP projects and the BayREN/Energy project. Unspent funds of approximately \$4.8 million are recorded as unearned revenues. Funds will be distributed to subrecipients as expenditures are incurred. Subrecipients for the BayREN project have not been drawing down the funds for incentive rebates as rapidly as expected. These funds are for single and multifamily energy retrofits. Ultimately, the incentive rebates will be distributed and benefit the Bay Area residents in the nine counties.

### **Receivables**

Receivables from grant and service programs amounted to \$4.87 million at the end of June comprised primarily of \$2.01 million in grants receivables and \$2.67 million in unbilled receivables. The total increased by \$132 thousand from the prior month and decreased by \$647 thousand from the prior year. The increase/decrease from the prior period is reasonable as fluctuations are expected from one period to another (depending on timing of expenditures). Throughout the year, accounting staff have been very diligent in sending out invoices in a timely manner and following up on past due invoices to reduce the average age of outstanding receivables. Figure 2 depicts the actual receivable balances for FY 13 and FY 14. Unbilled receivables will be billed in August and early September.

**Item 4-A**

### **Revenues and Expenses**

Year-to-date revenues exceeded expenses by \$639 thousand as of June 30, 2014. Total revenues amounted to \$29.07 million, or 119 percent, of the adopted revenues estimate of \$24.46 million. Total expenses amounted to \$28.43 million, or 116 percent, of the adopted expenses of \$24.41 million. Revenues and expenses are 19 percent and 16 percent, respectively above budget. The variances were primarily caused by the BayREN project. The contract was awarded after the budget was adopted, and subrecipients incurred significant expenditures during the year. Figure 3 presents a comparison of current month, year-to-date actual and adopted revenues and expenses. Figure 4 shows year-to-date revenues by major category, and Figure 5 shows year-to-date expenses by major category.

### **Net Position/Fund Equity**

Total fund equity was \$2.89 million as of June 30 including \$2.18 million in general fund equity and \$710 thousand in restricted fund equity. The fund equity increased by \$153 thousand compared to the prior month and increased by \$639 thousand compared to the prior year. The restricted fund equity consists of capital, self-insurance, building maintenance and reserves. A portion of the net surplus was reserved for contingency to reflect the commitment to increase restricted reserves by \$50 thousand per year. Figure 6 presents actual and adopted general, restricted, and total fund equities for the current fiscal year.

### **Indirect Overhead Rate**

The Agency's actual indirect cost (overhead) rate through June was 43.18 percent, or 0.23 percent above the budget estimate of 42.95 percent. This means ABAG has charged less to grants for overhead expense than what was actually spent. The under recovery of overhead will be recorded as a receivable and billed to projects in FY 15-16. Figure 7 shows a comparison between the actual indirect cost rate and the approved rate.

### **Financial Information by Program**

The **Report by Program of Net Surplus/(Deficit)** is included after the charts. This report presents revenue and expense information by program. It provides an overview of adopted and year-to-date revenue and expense data for major programs such as the Planning Services, San Francisco Estuary Partnership, Bay Trail and POWER/Energy.

**Association of Bay Area Governments**  
**Table of Financial Report Data Elements**  
(thousands of dollars)

For the Month Ended June 2014

Description	Adopted Budget	Year-To- Date Actual	% of Budget	Budget Balance
<b>ASSETS</b>				
Cash		7,248		
Receivables		4,874		
<b>REVENUES</b>				
Membership Dues	1,774	1,764	99%	10
Grants	16,831	21,529	128%	(4,698)
Charges for Services and Other	5,854	5,780	99%	74
<b>Total Revenues</b>	<b>24,459</b>	<b>29,073</b>	<b>119%</b>	<b>(4,614)</b>
<b>EXPENSES</b>				
Salaries and Benefits	13,334	12,024	90%	1,310
Pass-through and Consultant Expenses	9,000	14,588	162%	(5,588)
Other Expenses	2,075	1,822	88%	253
<b>Total Expenses</b>	<b>24,409</b>	<b>28,434</b>	<b>116%</b>	<b>(4,025)</b>
Change in Net Position	50	639	1278%	(589)
Beginning Net Position	2,248	2,248	100%	-
<b>Ending Net Position</b>	<b>2,298</b>	<b>2,887</b>	<b>126%</b>	<b>(589)</b>
<b>NET POSITION BREAKDOWNS</b>				
Unrestricted	1,588	2,177	137%	(589)
Restricted	710	710	100%	-
<b>Total Net Position</b>	<b>2,298</b>	<b>2,887</b>	<b>126%</b>	<b>(589)</b>
<b>INDIRECT OVERHEAD</b>				
Overhead Rate	42.95%	43.18%		

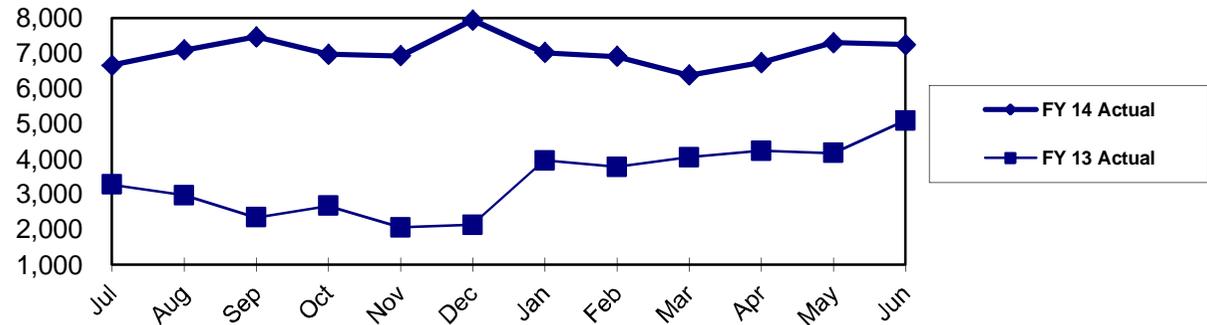
Item 4-A

## ABAG Financial Indices

Cash on Hand FY 13-FY 14 (\$'000)												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 14 Actual	6,667	7,091	7,472	6,974	6,933	7,943	7,017	6,907	6,385	6,741	7,306	7,248
FY 13 Actual	3,272	2,973	2,342	2,669	2,062	2,135	3,959	3,782	4,055	4,238	4,173	5,093

**Represents** the sum total of cash deposited at our bank and the Local Agency Investment Fund. This chart shows fluctuation patterns of cash on hand for the current and prior fiscal years.

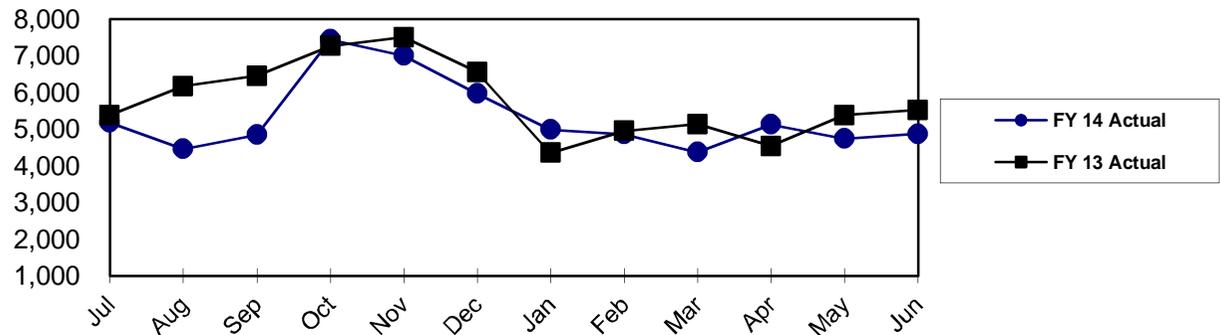
**Figure 1--Cash on Hand--FY 13 and FY 14 (\$'000)**



Accounts Receivable FY 13-FY 14 (\$'000)												
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 14 Actual	5,182	4,463	4,851	7,445	7,006	5,973	4,985	4,862	4,379	5,132	4,742	4,874
FY 13 Actual	5,382	6,170	6,452	7,273	7,505	6,560	4,356	4,952	5,141	4,545	5,385	5,521

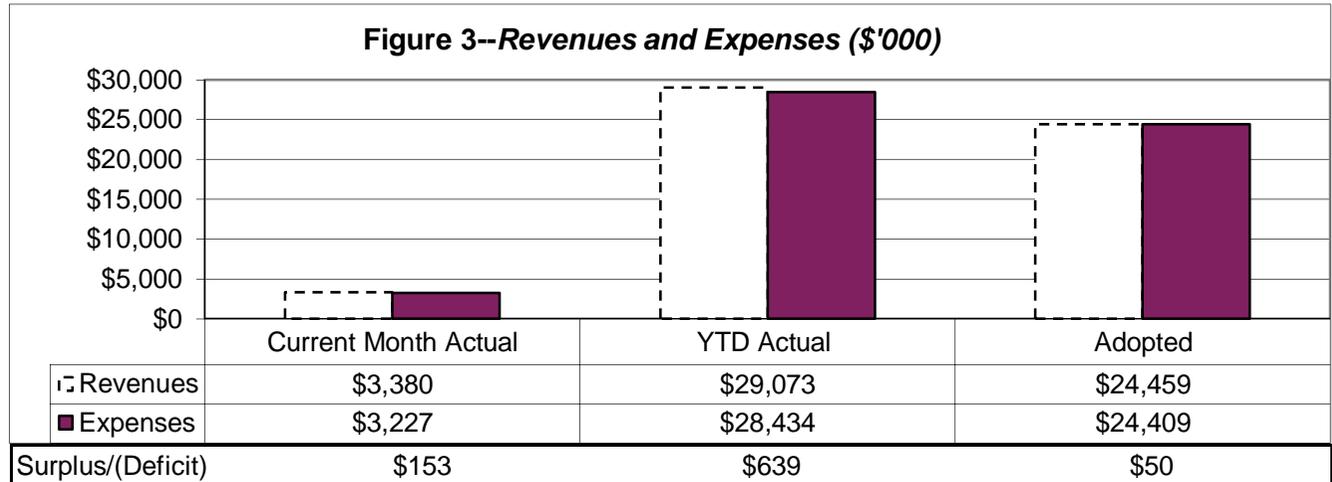
**Accounts** receivable include receivables generated by grants and service programs over two fiscal years. Reflects the reasonableness of our receivable levels; usually have about six weeks' worth of annual revenues in receivables.

**Figure 2--Accounts Receivable--FY 13 and FY 14 (\$'000)**



## ABAG Financial Indices

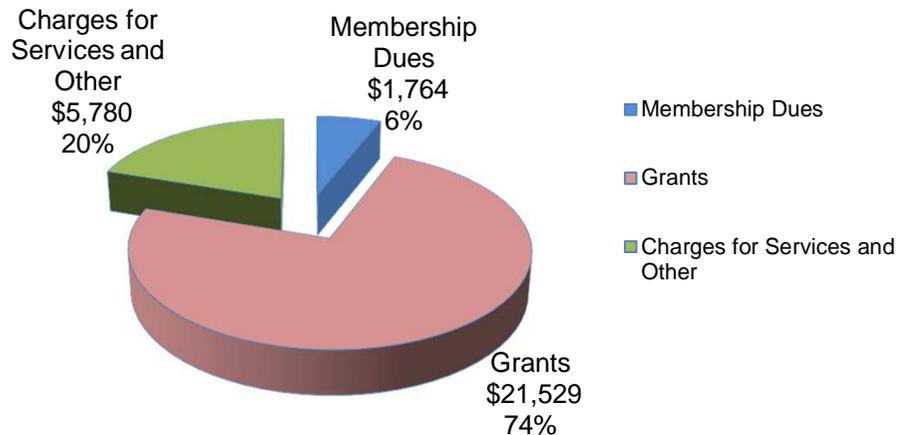
**Presents** a comparison of current month actual, year-to-date actual, and adopted/projected revenues and expenses.



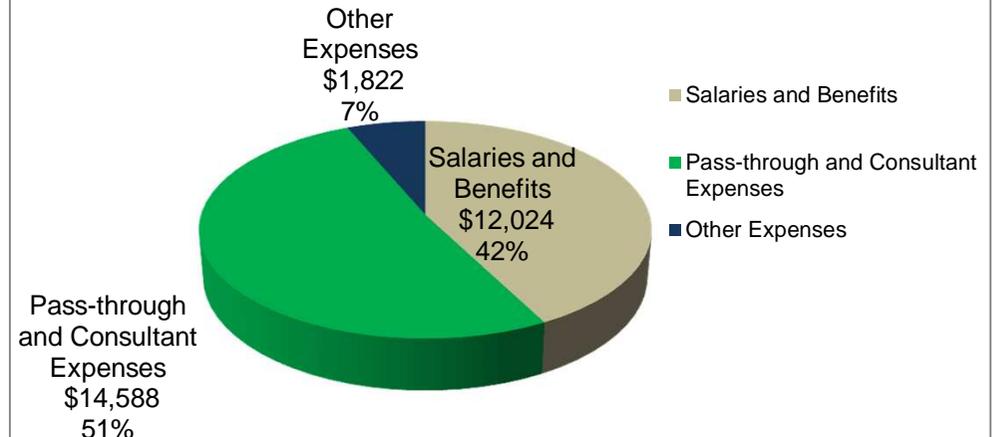
**Shows** year-to-date revenues by major category including membership dues, grants, and charges for services and other.

**Shows** year-to-date expenses by major category including salaries and benefits, pass-through and consultant expenses, and other expenses.

**Figure 4-- Year-to-date Revenues by Category (\$'000)**



**Figure 5-- Year-to-date Expenses by Category (\$'000)**

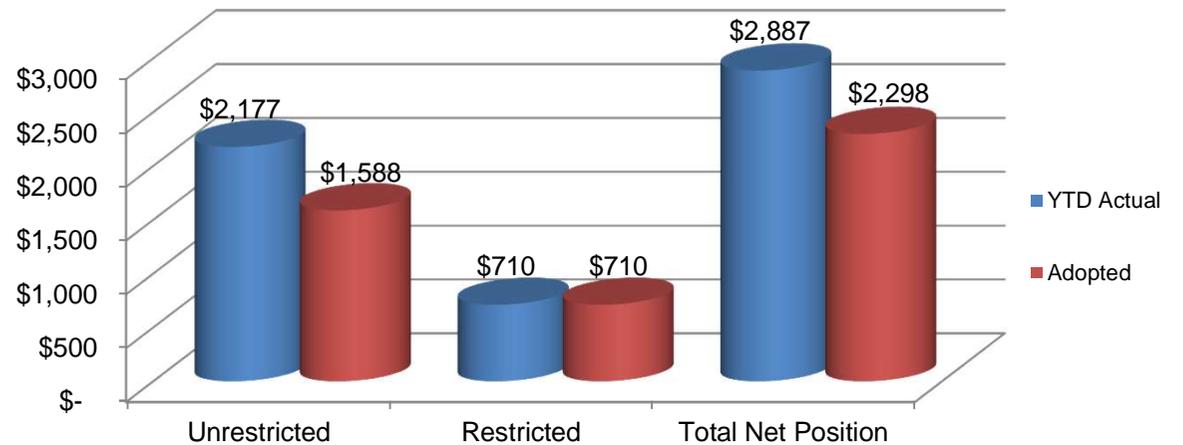


## ABAG Financial Indices

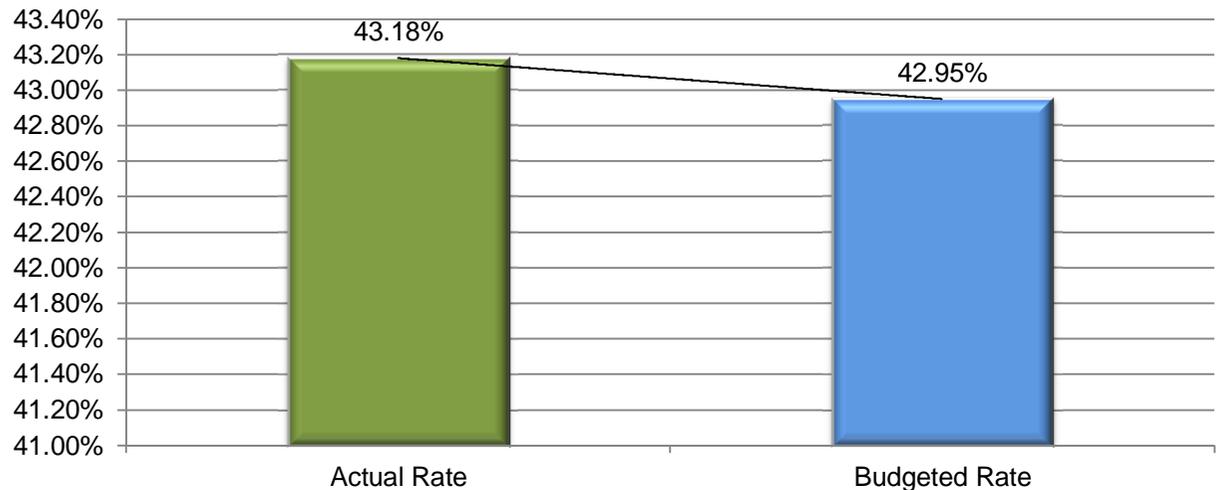
**Presents** actual and adopted/projected general, restricted and total fund equities for the current fiscal year. General fund equity represents unrestricted equity. Restricted equities include building improvement interest, building maintenance, self-insurance, capital and contingency reserve. These restricted equities represent the Association's equities set aside for specific purposes. Total equity is the sum total of general and restricted equities.

**Shows** a comparison between the actual indirect cost rate and the budgeted/approved rate. The approved indirect cost rate is computed by dividing total estimated overhead expenses by total projected direct labor cost for a fiscal year. This rate is used as a standard overhead cost rate to allocate indirect costs to all projects. This process is performed in accordance with an indirect cost plan, which is prepared annually in accordance with federal guidelines.

**Figure 6--Net Position/Fund Equity (\$'000)**



**Figure 7--Indirect Overhead Rate**



**Association of Bay Area Governments**

**Report by Program of Net Surplus/(Deficit)  
Through June 2014**

Program Description	Adopted Budget Expenses *	Year-To-Date Revenues	Year-To-Date Expenses	YTD Surplus/(Deficit)	% of Expense Budget	Explanations for Variances over 10%
	A	B	C	D = B - C	E = C/A	
Planning Services	3,865,000	3,878,998	3,888,753	(9,755)	101%	
San Francisco Estuary Partnership	5,650,000	5,472,849	5,483,349	(10,499)	97%	
Disaster Recovery	375,000	230,169	236,599	(6,430)	63%	Less than budgeted expenditures were primarily attributed to timing of expenditures.
Bay Trail	1,660,000	1,658,887	1,671,688	(12,801)	101%	
Green Business	120,000	89,874	89,874	-	75%	The decrease in expenditures is in line with reduction in revenues.
Training Center, Web Hosting and Publications	604,000	604,212	539,920	64,292	89%	This is a favorable variance and resulted in a net surplus.
POWER/Energy	5,579,861	11,053,523	11,070,456	(16,933)	198%	The BayREN contract was awarded after the FY 13-14 budget was adopted. Significant expenditures were incurred by subrecipients during the year.
Finance Authority	1,500,000	1,296,554	1,255,066	41,488	84%	Actual program expenditures were lower than budget.
Plan Corporation - Property & Liability Insurance Pool	2,900,000	2,660,056	2,660,056	-	92%	
SHARP - Worker's Comp Pool	110,000	153,497	153,497	-	140%	Actual program expenditures exceeded budget.
Fiscal Agent Services	101,200	133,375	120,215	13,160	119%	Actual revenues and expenditures exceeded budget and resulted in a net surplus.
Communications/Legislative	835,000	643,002	637,202	5,800	76%	Staff worked on more billable projects than budgeted and partly contributed to the surplus in Agency Administration due to lower spending on membership dues (see below).
Agency Administration	1,109,102	1,194,544	1,024,652	169,892	92%	
Payroll Clearing		-	(400,428)	400,428	N/A	The surplus in the payroll clearing account is primarily attributed to lower vacation usage during the year and favorable recovery from some benefits. This account can result in a surplus in some years and a deficit in some years depending on the timing of vacation usage and payments of benefits such as unemployment insurance and OPEB liability. Savings/excess collections from one year may be used to offset excess expenses and under recovery of benefits in future years.
Central Overhead	3,236,212	3,315,022	3,315,022	-	102%	
<b>Totals</b>	<b>27,645,375</b>	<b>32,384,562</b>	<b>31,745,919</b>	<b>638,643</b>	<b>115%</b>	

\* Adopted expenses equal to adopted revenues for all programs except for Agency Administration in which a \$50K surplus was budgeted.