



Adopt the Final Budget and Overall Work Program for Fiscal Year 2025-2026

Action

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Attachments: Yes

Referring Committee: Policy & Innovation

Issue:

The Final Budget and Overall Work Program (Final Budget/OWP) for Fiscal Year (FY) 2025-2026 are ready for board action.

Request:

Approve

Recommendation for Board:

The Policy and Innovation Committee recommended that the board adopt the Final Budget/OWP for FY 2025-2026 and authorize the Executive Director to make minor revisions to the OWP document prior to submission to Caltrans and federal funding agencies.

Recommendation for Committee:

That the Policy and Innovation Committee recommend that the board adopt the Final Budget/OWP for FY 2025-2026 and authorize submittal to Caltrans and federal funding agencies.

Background:

The SACOG Board of Directors adopts an annual budget for the SACOG Planning and Administration General Fund (General Fund Budget) which includes the Overall Work Program activities (OWP), board activities and advocacy efforts, capital assets, and other related functions/activities not associated with the OWP. The Board of Directors of the Capitol Valley Regional Service Authority for Freeways and Expressways (CVR-SAFE) adopts its annual budget for freeway emergency services in El Dorado, Sacramento, San Joaquin, Sutter, Yolo, and Yuba counties, which are also part of the OWP.

The annual budgets are prepared on a modified accrual basis consistent with generally accepted accounting principles. Legal control is exercised at the level of the fund object, and board approval is required for appropriations that exceed the approved level. Federal law, including the Bipartisan Infrastructure Law, mandates that the federally designated Metropolitan Planning Organization (MPO) develop an Overall Work Program and Budget (Budget/OWP). SACOG's OWP describes the transportation planning activities for the six-county Sacramento region. The Budget/OWP includes annual agency revenues and expenditures, and is used by Caltrans, federal agencies, and others to track activities of SACOG and partner agencies.

SACOG Planning and Administration General Fund Budget (General Fund Budget) is separated out into two functional budgets for tracking and reporting purposes:

- **The Operations Budget:** includes OWP activities, capital assets and other related activities not associated with the OWP. The funding primarily consists of formula-based federal and state revenue sources, augmented by both short-term specific discretionary and non-discretionary grants, as well as contractual funds.
- **The Board and Advocacy Budget:** includes a portion of technical assistance SACOG provides to its members, the agency's state and federal advocacy efforts, as well as board costs such as per diem and mileage expenses. The primary funding source is annual dues paid by SACOG member cities and counties.

The Budget/OWP details SACOG's budget and work activities for fiscal year 2025-2026 (July 1, 2025, through June 30, 2026) and serves as grant agreement between SACOG and Caltrans for federal and state formula funds that support SACOG operations. The OWP activities align and support SACOG's strategic goals: Equity, Economy and Environment. It requires the approval from Caltrans, Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA) after SACOG Board of Directors adopts it.

The Budget/OWP was submitted to Caltrans in February 2025 for preliminary review to ensure alignment with funding sources. The board released the Draft Budget/OWP for FY2025-2026 for public comment in March 2025, with the final adopted budget due by May 9, 2025. The Final Budget/OWP incorporates majority of comments from Caltrans and federal agencies, including updates to project descriptions and timeline, tasks/end products and clarifications on use of funds and match requirements without any fiscal impact on the budget. However, staff are awaiting for Caltrans' response to follow-up questions that may require minor edits to the OWP document. As part of the action, staff is seeking board authorization for the Executive Director to make these edits prior to the submission, if any. **Attachment J** includes comments received from Caltrans and federal agencies, along with SACOG's responses. The final budget summaries and the full OWP document are available on SACOG's website: [FY25-26 Final OWP](#).

Discussion/Analysis:

To implement SACOG's mission and goals and deliver on our region's Metropolitan Transportation Plan and Sustainable Communities Strategy, SACOG's upcoming fiscal year's work program focuses on these priorities:

1. Build vibrant and inclusive places
2. Foster the next generation of mobility solutions
3. Modernize the way we pay for transportation infrastructure
4. Build and maintain a safe, equitable and resilient transportation system

Staff have used a conservative method to forecast revenues, including only grants and other revenues that are secured and expected to have matching expenditures within the fiscal year. Success with grant applications during the fiscal year will require budget adjustments. Other adjustments could include carryover funds from the current fiscal year not fully spent by June 30, 2025, as well as revisions to formula funds allocation from Caltrans and federal agencies.

Fund Balance

As of June 30, 2025, it is anticipated that the unassigned balance of the SACOG Planning & Administration General Fund will be approximately \$6,042,000, in addition to various assigned operating reserves amounting

to \$3,782,000, resulting in a total of \$9,824,000. This includes estimated savings of approximately \$817,000 from the initially approved fund balance usage of \$900,000, with \$434,430 projected to remain unspent by June 30, 2025, and to be carried forward to the FY2025-2026 Budget/OWP.

At the March board meeting, board members asked about SACOG's operating reserve policies. As follow up, staff reviewed the fund policy guidelines from the Government Finance Officers Association (GFOA), which provides recommendations for public agencies in the United States and Canada. Based on the latest recommendations from GFOA, public agencies should take a risk-based approach to establishing reserves. In brief, SACOG has a lower risk profile than a city or county on both the expenditure and revenue side. SACOG does not own major capital assets or real estate, and SACOG is part of a public agency risk pool to provide insurance for most potential unanticipated expenses. Most expenditures are pass-through or contracts, which can be canceled or suspended if the corresponding revenue is not available. On the revenue side, SACOG receives formulaic federal, state, and local revenues. Most increase based on formulaic increases, while one, Local Transportation Fund, is subject to volatility based on sales tax.

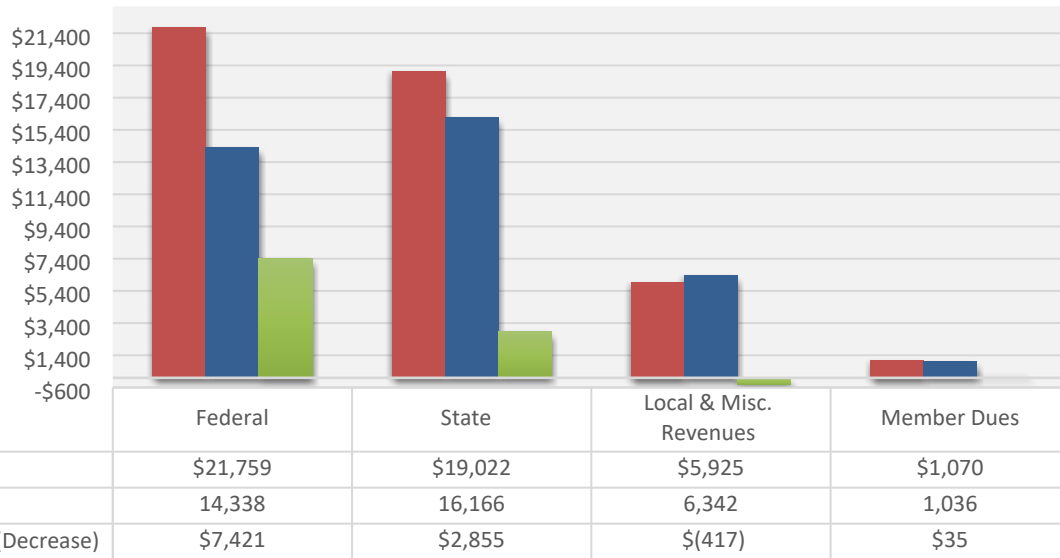
Based on staff's completion of the GFOA risk assessment tool, SACOG's recommended minimum reserve would be 16.6 percent of revenues/expenditures. Based on the GFOA recommendation and savings from the fiscal year 2024-2025 budget, the staff proposes assigning \$500,000 from the unassigned fund balance to the operating reserves. The current operating reserves balance is \$2,125,000. With the addition of \$500,000, SACOG will at approximately two months funded based on GFOA risk assessment or 1.5 months funded based on SACOG's current Fund Balance Policy.

Staff will update the five-year forecast in the fall and recommend changes to the Fund Balance Policy and operating reserves to align with GFOA guidelines.

General Fund Budget

The Final Budget/OWP remains the same as the Draft Budget/OWP. The General Fund Budget for FY 2025-2026 totals \$49,173,650, which includes \$47,776,395 in revenues and \$1,397,255 from reserve funds. This reflects a 19.3 percent increase or \$8,264,540 compared to the FY 2024-2025 Budget/OWP Amendment #2 of \$41,230,720. The chart below provides a comparison of revenues for FY 2025-2026 versus FY 2024-2025.

SACOG Revenues Comparison (in 000's)



Here is a summary of the two functional budgets within the General Fund Budget.

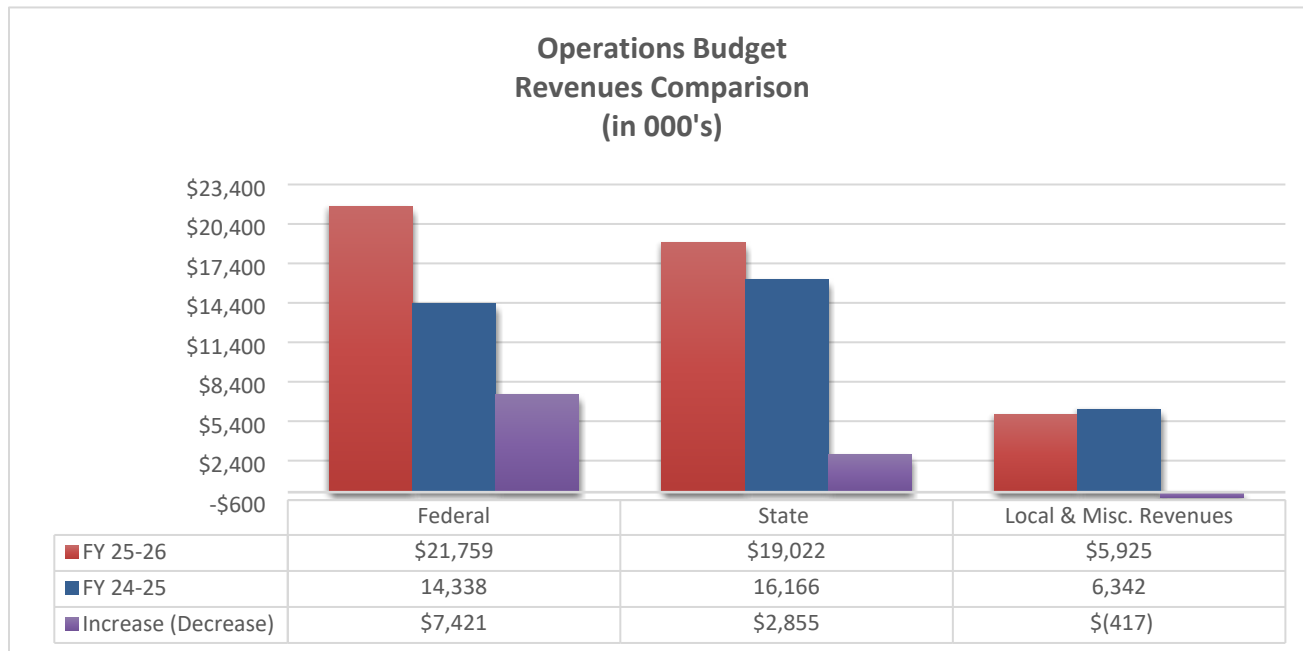
SACOG Operations Budget

This functional budget consists of the Overall Work Plan activities, capital assets and other related functions/activities not associated with the OWP.

Revenues

The Operations Budget includes revenues of \$46,706,039 in revenues and use of reserve funds of \$1,172,255 for FY 2025-2026. This reflects an increase of approximately 19.7 percent or \$8,207,231 compared to the FY 2024-2025 Budget/OWP Amendment #2 of \$39,992,674.

The chart below provides a comparison of revenues for FY 2025-2026 versus FY 2024-2025.



Key points of revenue changes include:

Increase in Revenues Due to New or Carryover Funding

- **Reconnecting Communities and Neighborhoods (RCN) funds:** Increase of \$8,356,016 in pass-through funding for the Green Means Go Program.
- **REAP 2 funds:** There is a net increase of \$1,153,963 in pass-through funding for Green Means Go. This includes \$3,795,510 from REAP 2, partly offset by a reduction of \$2,641,547 in restricted funds from FY 2024-2025.
- **RAISE Grant:** Increase of \$164,576 for the adoption of Mobility Zones.
- **State Transit and intercity Rail Capital Program funds:** Increase of \$207,484 for SB 125 Transit Program.
- **Planning, Programming and Monitoring (PPM) funding:** Increase of \$124,409 due to enhanced regional programming and tracking software.

Decrease in Revenues Due to Completion or Near Completion of Projects in FY 2024-2025

- **FTA Rescue Plan Act Stimulus Funding (ARPA):** Decrease of \$161,426 due to the completion of the Regional Transit Study and Transit Recovery Activities.
- **Regional Early Action Planning Grants Housing Program (REAP 2):** Decrease of \$475,253 due to the completion of the state required housing elements.
- **CMAQ and RSTP funding:** Decrease of \$790,087 for winding down of the Regional Bike Share program and Mode Shift grant awards.
- **Pass-through State Transit and Intercity Rail Capital Program (TIRCP) funding:** Decrease of \$787,000 for the Transit Operators Contactless Fare System.
- **Local Funds:** Decrease of \$365,529 due to SACOG transitions out of the project management and administration support for CARTA.

Changes in reserve/carryover fund balance

- **Use of SACOG Managed Fund:** Increase of \$115,027 for RAISE grant match and committed community design projects, partially offset by SMF Interest Income of \$400,000.
- **Pension Trust:** Allocate \$225,000 to offset the increased pension unfunded actuarial liability (UAL) for FY 2025-2026. As of December 31, 2024, the balance was \$2,070,495.
- **Fund Balance (Carryover):** Approved deferral of \$434,431 for 2025 Blueprint Updates and Environmental Impact Report (EIR) and Engage, Empower & Implement (EEI) consulting expenses from fiscal year 2024-2025.

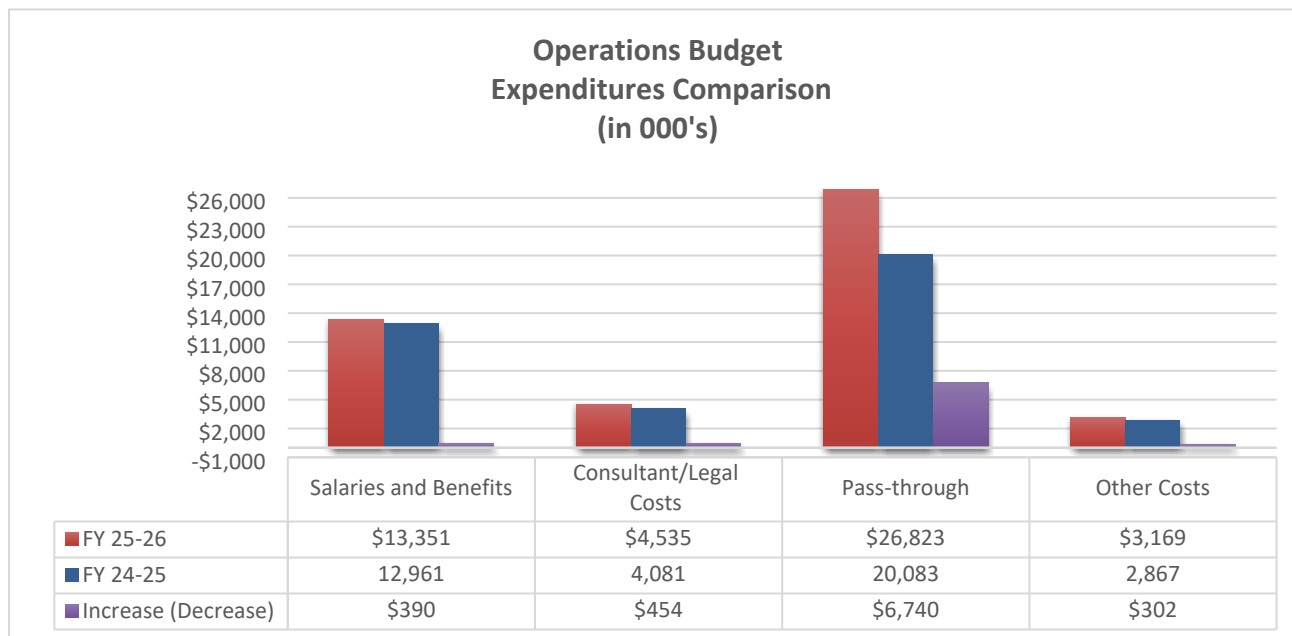
Expenditures

The Operations Budget for FY 2025-2026 is \$47,878,295, up approximately 19.7% or \$7,885,620 from the FY 2024-2025 Budget/OWP Amendment #2 of \$39,992,674. This year's work plan includes activities such as the 2025 Blueprint, Green Means Go, Mobility Zones, Sustainable Mobility Program, Regional Funding Round, Regional Progress Report, REI Initiative, and EEI.

Key Changes in Expenditures for FY 2025-2026 Compared to FY 2024-2025

- **Salaries and Benefits:** Slight increase due to the 3 percent cost-of-living adjustments (COLA) based on existing labor agreement to apply a COLA depending on the change in the California Consumer Price Index and related benefits costs.
- **Consultant/Legal Costs:** Increase primarily due to deferring Transit Operators Long Range Financial Analysis from FY 2024-2025.
- **Pass-through to Other Agencies:** Increase primarily due to the Green Means Go program with additional funding from Reconnecting Communities and Neighborhoods (RCN) and existing REAP 2 Green Means Go funding, partially offset by other pass-through fundings like State Housing Elements , Transit Operators contactless fare system and Engage, Mode Shifts, Truxel Bridge Feasibility Study, and Empower and Implement (EEI) Program.
- **Other Costs/Capital Asset Costs:** slight increase primarily due to expenses associated with certain discretionary grants that were completed in fiscal year 2024-2025.

The chart below shows a comparison of expenses for FY 2025-2026 versus FY 2024-2025.



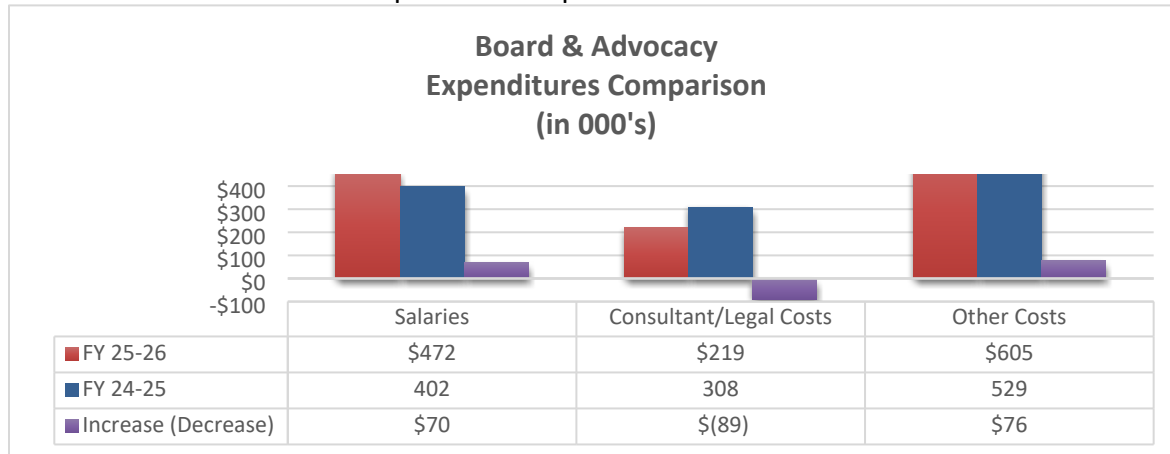
Attachment A provides a summary of revenues changes by funding sources for FY 2025-2026 Budget/OWP, comparing to FY 2024-2025 Budget/OWP. **Attachments B and C** provide a summary of revenues and expenditures included in the FY 2025-2026 Budget/OWP and **Attachments D and E** show how revenues and expenditures are allocated across the agency's work activities.

Attachment F provided a summary of revenues and expenditures and estimated Fund Balance for the Planning and Administration General Fund. **Attachment G** is the Capital Assets Budget included in the FY 2025-2026 Budget/OWP. **Attachment H** describe SACOG's overhead costs included as part of the FY 2025-2026 Budget/OWP. These costs are considered indirect costs and recovered through an additional rate charge applied to any direct staff costs billed to projects. Indirect costs include salaries and benefits of administrative and accounting staff, internal management activities performed by management, building rent and utilities, software, and other costs associated with SACOG's overhead. Staff will submit the fringe and indirect rates (ICAP) for FTA and Caltrans' approval by June 2025.

Board and Advocacy Budget

The Board of Directors and Advocacy budget for FY 2025-2026 is \$1,295,356, up by \$57,309 from the previous year budget. It is funded primarily with member dues from member cities and counties, along with use of Board and Advocacy reserve funds of \$225,000. These Board and Advocacy activities include state and federal advocacy, partnership events and meetings, board per diem and other expenses. The budget also includes partnerships and technical assistance to member jurisdictions beyond what is possible in the main budget either due to eligibility or budget constraints. **Attachment I** provides a summary of the Board and Advocacy budget for FY 2025-2026.

The chart below shows a comparison of expenses for FY 2025-2026 versus FY 2024-2025.



CVR-SAFE Budget (for Information only)

The SAFE Board of Directors will act on the draft CVR-SAFE budget in May 2025 and the Final budget in June 2025. The preliminary SAFE Budget for FY 2025-2026 is \$3,463,101. SACOG provides administrative services for CVR-SAFE so the activities are included in Budget/OWP.

Fiscal Impact/Grant Information:

The Final Budget/OWP for FY 2025-2026 for SACOG Planning and Administrative General Funds includes total revenue of \$47,776,395 and use of fund balance of \$1,397,255 to cover total expenditures of \$49,173,650 in salaries, fringe benefits, consultant fees, capital expenses, indirect costs, board expenses, and pass-through expenditures.

List of Attachments:

Attachments A-J - Budget Schedules