



Five-Year Budget Forecast

Receive and File

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Attachments: Yes

Referring Committee: Policy & Innovation

Issue:

Staff has prepared a five-year budget forecast which includes Budget Amendment #1 to the Budget/Overall Work Program for Fiscal Year 2024-2025 plus four years rolling forecast through Fiscal Year 2028-2029.

Request:

Receive & File

Recommendation for Board:

None, this is for information only.

Recommendation for Committee:

None, this is for information only.

Background:

The SACOG Board of Directors adopts an annual budget for the SACOG Planning and Administration General Fund (Budget) which includes the Overall Work Program (OWP) activities, Board of Directors and Advocacy budget, capital assets, and other related functions/activities not associated with the OWP. The Budget/OWP is mainly funded through a combination of formula-based federal and state revenue sources, supplemented by short-term specific discretionary and non-discretionary grants, and board fees for 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 board adopted the final Budget/OWP for Fiscal Year (FY) 2024-2025 on April 18, 2024. Staff typically will bring several amendments to the Budget/OWP throughout the year to modify projects, add new projects or revenues, change project descriptions, or adjust staff and expenditures between OWP work elements and/or operating activities. At its October meeting, staff is seeking board approval of Amendment #1 to the OWP/Budget for FY 2024-2025.

Discussion/Analysis:

In order to implement SACOG's mission and goals and to deliver on our region's Metropolitan Transportation Plan and Sustainable Communities Strategy, the work program for FY 2024-2025 continues to focus 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; and (4) build and maintain a safe, equitable and

resilient transportation system. The final Budget/OWP for FY 2024-2025 includes the use of undesignated fund balance of \$900,000 for committed cash match requirements on grants and ongoing activities like the staff costs for the Green Means Go (GMG) and Engage Empower Implement programs, and consultant costs for the 2025 Blueprint Environmental Impact Report. In the spring when the board was adopting the budget, some board members also asked staff to provide more information on the use of fund balance to balance the budget and how it will impact SACOG long-term financial sustainability.

To respond to board questions, staff has prepared a five-year budget forecast (5-Year Forecast) which includes Amendment #1 to the Budget for FY 2024-2025, plus four years rolling forecast through FY 2028-2029. The intent of the 5-Year forecast is to provide a baseline of SACOG expenses and provide some insights into what staff knows about SACOG’s finances over the next several years. However, there are many potential changes in revenues over this five-year period that are not yet known, including potential grant awards and changes in state and federal funding. The table below shows a summary of projected revenues and expenditures for the 5-Year Forecast for SACOG Planning and Administration General Fund. This information should be reviewed in conjunction with the assumptions listed below.

| Revenues | FY 24-25 | FY 25-26 | FY 26-27 | FY 27-28 | FY 28-29 |
|-------------------------------|-----------------|-----------------|-----------------|-------------------|-------------------|
| Federal | \$ 14,432 | \$ 16,340 | \$ 14,664 | \$ 14,342 | \$ 14,446 |
| State | 16,611 | 22,232 | 2,886 | 2,559 | 2,285 |
| Local (TDA) & Others | 5,808 | 5,675 | 5,795 | 5,959 | 6,096 |
| Member Dues | 1,036 | 1,065 | 1,091 | 1,118 | 1,147 |
| Use of Fund Balance* | 4,163 | 990 | 643 | 462 | 252 |
| Total Revenues | \$42,050 | \$46,302 | \$25,079 | \$24,440 | \$ 24,226 |
| Expenditures | | | | | |
| Staff Costs | 11,598 | 12,074 | 11,715 | 12,283 | 12,494 |
| Consulting Costs | 5,796 | 4,203 | 3,079 | 3,039 | 3,178 |
| Pass-Through Costs | 19,901 | 24,354 | 4,745 | 4,755 | 5,053 |
| Other Costs | 5,655 | 5,491 | 5,385 | 5,435 | 5,536 |
| Total Expenditures | \$42,950 | \$46,122 | \$24,924 | \$25,512 | \$ 26,261 |
| Change in Fund Balance | \$ (900) | \$ 180 | \$ 155 | \$ (1,072) | \$ (2,035) |

*Use of restricted fund balance like SMF Committed Projects and SGC Greens Means Go.

Assumptions

The Five-Year Forecast reflects primarily the formula-based federal and state revenue sources, TDA planning and administrative fees and board fees, and reflects a modest projected increase of 2.5 percent to 3.5 percent over the next four years but does not include any new discretionary grant awards. The 5-Year Forecast reflects the one-time state funded GMG and federal Reconnecting Neighborhoods Grant pass-through revenues (and costs) and discretionary grants awards, like the federal RAISE Grant and SB 125 funding. With the ending of the GMG pass-through funds, there will be a significant drop in revenues starting in FY 2026-2027. The ending of the RAISE Grant and SB 125 funding program by the end of 2027 shows a budget shortfall starting in FY 2027-2028 as it does not reflect new discretionary grant awards. As such, FY 2027-2028 and FY 2028-2029 reflect a budget shortfall of approximately \$1.07 million and \$2.04 million, respectively. However, since the forecast is four years out, there are still a lot of unknowns as to how much other revenue SACOG

might receive during this period. This includes new discretionary grant awards, higher than projected increase in federal and state formula planning funds and TDA planning and administrative fees, and other revenue sources. If SACOG is successful in obtaining one or more of these fundings/revenues, the budget shortfall in FY 2027-2027 onwards will be smaller or eliminated. Additionally, SACOG has established operating reserves and prepaid trusts that can be used to offset and/or narrow the budget gap.

Fund Balance

As of June 30, 2024, the SACOG Planning & Administration General Fund various operating and contingencies reserve funds of \$3.78 million plus undesignated fund balance is approximately \$6.0 million, an increase of \$1.66 million, compared to the prior fiscal year. The table below shows the changes in operating reserves and undesignated fund balances for the past four fiscal years and projected balance at end of Fiscal Year 2024-2025.

| (in 000's) | FY 19-20 | FY 20-21 | FY 21-22 | FY 22-23 | FY 23-24 | FY 24-25 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Operating Reserves | 2,630 | 3,555 | 3,581 | 3,782 | 3,782 | 3,782 |
| Undesignated Fund Balance | 2,192 | 3,298 | 4,181 | 4,386 | 6,044 | 5,144 |
| Total Fund Balance | \$ 4,822 | \$ 6,853 | \$ 7,762 | \$ 8,168 | \$ 9,826 | \$ 8,926 |

Over the past five years, SACOG has been successful in obtaining new funding sources and/or reducing expenses that did not require the use of fund balance as originally anticipated in the adopted budget and continued to add to the fund balance. Staff is confident that between now and the next four years, SACOG will be successful in winning new grant awards, which will help narrow the budget shortfall and minimize the use of fund balance. Staff presented an overview of SACOG historical financials, Five-Year Forecast Overview and different scenarios to close the budget gap to the Policy and Innovation Committee at its October committee meeting.

Fiscal Impact/Grant Information:

Included in the Overall Work Program/Budget

List of Attachments:

- 5-Year Forecast Revenue Summary
- PIC PowerPoint Presentation