



## Capital Area Regional Tolling Authority Loan and Staffing Services

### Information

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**Attachments:** Yes

**Referring Committee:** Policy & Innovation

### Issue:

Starting in July 2024, SACOG has provided staffing services to the Capital Area Regional Tolling Authority (CARTA) on a cost-reimbursement basis. SACOG also provided an initial loan to CARTA, and CARTA is requesting another loan from SACOG.

### Request:

Review & Discuss at Meeting

### Recommendation for Board:

None; this item is for information only

### Recommendation for Committee:

None; this item is for information and discussion.

### Background:

#### *CARTA Formation*

The impetus to create CARTA occurred in the middle of Fiscal Year (FY) 2023-2024, when Yolo Transportation District (YTD) and Caltrans approached SACOG to apply to the California Transportation Commission for the initial authority to develop tolled lanes on Interstate 80 between Davis and Sacramento (the Yolo80 project).

SACOG, as the Regional Transportation Planning Agency (RTPA) for Sacramento, Sutter, Yolo and Yuba counties, is required under state law to authorize the formation of a regional tolling authority within those counties. SACOG also has ongoing responsibilities to ensure that tolling projects are consistent with the region's long-range transportation plan. In January 2024, the board approved a Joint Powers Agreement with SACOG, YTD, and the California Department of Transportation (Caltrans) to form CARTA.

#### *Funding*

For that initial few months before CARTA was able to adopt an independent budget, SACOG absorbed costs and the board approved spending \$75,000 on direct costs for CARTA during that period. In March 2024, CARTA requested that SACOG provide contracted staffing services to CARTA starting in July 2024. The SACOG board approved this as part of SACOG's draft budget, and also discussed a request from CARTA for a loan to

fund first-year startup costs.

Last April, with authorization from the SACOG board, SACOG loaned CARTA \$1.3 million from the SACOG Managed Fund. Per the approved Fund Balance Policy (as shown in Attachment A), SACOG may enter into loan agreements where there is a need for financing and/or cash flow. A copy of the executed loan agreement and promissory note is attached (Attachment B). The terms of the loan entitle SACOG to be repaid, with interest, based on the rate that SACOG would otherwise receive from the funds remaining in the Sacramento County Pooled Investment Fund.

SACOG's Managed Fund is a subset of SACOG's unassigned fund balance. The Managed Fund has been used to accumulate funds from local agencies for reimbursement of projects originally expected to have been completed with local funds but were instead funded with available federal funds. Through these reimbursement arrangements, SACOG has been able to accumulate flexible local funds without the burden of state and federal restrictions and processes.

As of June 30, 2024, the SACOG Managed Fund has an unassigned balance of \$9,149,413. Based on replenishment from prior loans paid back to the SACOG Managed Funds, plus interest earned, the unassigned balance grew from \$9.0 million in June 2022, to \$10.3 million in June 2023.

### *Staffing*

SACOG currently staffs CARTA on a cost-reimbursement basis and provides toll program management, executive direction, and administrative services. As CARTA's primary activities transition from toll policy to toll system implementation and operations, SACOG is not as well suited to staff CARTA. SACOG will continue to provide transportation planning staff for CARTA through December 2025, but a new staffing solution for toll system implementation and operations is needed for 2026 and beyond. CARTA agrees with the staffing transition from SACOG planning staff, but has requested that SACOG continue to provide administrative and finance support services, and some management oversight. At their December 2024, meeting, the CARTA board discussed staffing structure options. Much of that discussion centered around the importance of having an executive director for CARTA, while being mindful of costs.

### **Discussion/Analysis:**

At the Policy & Innovation Committee, committee members were interested in the amount of staffing support that SACOG is providing to CARTA. For the current fiscal year, a total of 1,400 hours are budgeted across 13 staff, equating to 0.67 full time equivalent staff. However, the actual staff time used year to date (365 hours) is well below the budgeted amount through February (933 hours). For next fiscal year, a total of 896 hours are budgeted. This both reflects an adjustment to reflect the actual hours billed this year, as well as an intentional shift to have the project staff time budgeted this year shift over to a consultant starting in February 2026.

### *Funding*

Ultimately, toll revenue will fund CARTA's operating costs, however, startup funding is needed until toll collection begins in 2028. While the Yolo 80 construction costs are fully funded, the project budget does not include any funding for CARTA's operating costs.

Based on the actual costs coming in lower than expected or being deferred into the upcoming fiscal year, CARTA will carry over \$600,000 of revenue from the original SACOG loan into FY 2025-2026. CARTA's total operating expenses are forecasted to be about \$1.6 million in FY 2025-2026, leaving about a \$1 million

funding gap. SACOG has received a request from CARTA for an additional loan not to exceed \$1.3 million.

HNTB (CARTA's tolling consultant) is developing a more detailed multiyear forecast of CARTA's expenses that will help inform the forecasted expenditures between now and when toll collection begins on Yolo80. CARTA will review this information later this year, which will be critical in developing budgets beyond the next fiscal year.

Although the specific multiyear expenditure forecast is not done, there are no committed revenues for CARTA operations before toll collection begins beyond the existing loan from SACOG. In general, there are two options for these revenues: an additional loan or contributions from current or future CARTA members.

The CARTA board has requested that the executive staff of each current and future CARTA member identify options for financial support from each current and future member of CARTA, but no other partners have yet indicated the ability to provide financial support. Staff believes that a second loan is within SACOG's capacity. As a member of CARTA, we believe that this loan and the staff services that it funds are in the best interest of SACOG. SACOG management is supportive of providing an additional loan to CARTA, but has also made it clear to the other partners that a loan from SACOG after this year will not be recommended.

Staff will return in April with a draft loan agreement and promissory note similar to the existing document. If the board is supportive of the loan, the executive director will execute the loan and promissory note with CARTA.

### *Staffing*

Since SACOG staff officially began providing contract staffing services to CARTA in July 2024, the service has worked well for CARTA and SACOG. CARTA has been able to get immediate access to staff and only pay for actual time worked. SACOG has been able to lend expertise of its staff in the areas of transportation planning, operations, and finance.

Costs for CARTA have not been as high as projected, and some contract work started later than expected, so CARTA will not utilize the full loan amount in this fiscal year. Now that SACOG and CARTA have about a year of experience working together, SACOG staff is recommending that CARTA begin to plan for specialized tolling staff and build a more comprehensive staffing plan beyond the upcoming fiscal year.

At its February board meeting, the CARTA board heard a presentation on staffing and gave direction to focus on SACOG technical staff phasing out of staffing CARTA by the third quarter of FY 2025-2026, and then hire a consultant to provide interim support until CARTA can hire an executive director in FY 2026-2027. The bulk of the remaining work for CARTA will be contracted out, in the form of a multiyear toll program consulting services contract and a series of on-call services contracts. SACOG will continue to provide finance and administrative support to CARTA through June 2027, though specific support will be revisited as part of developing the FY 2026-2027 budgets for SACOG and CARTA at this time next year.

Since CARTA is moving away from SACOG performing most staff functions, SACOG staff recommends that CARTA and SACOG sign a staffing agreement to clearly spell out SACOG staff's roles and responsibilities moving forward. Staff will develop an agreement and bring it back to both boards for approval this spring.

### **Fiscal Impact/Grant Information:**

Included in the Overall Work Program (OWP)/Budget, Other (explain below)

The draft FY 2025-2026 SACOG budget assumes that SACOG staff will provide contracted services to CARTA on a cost-reimbursement basis. If SACOG provides another loan to CARTA, there is no impact on SACOG's annual budget; the loan would come from unassigned fund balance in the SACOG Managed Fund.

**List of Attachments:**

A – Fund Balance Policy

B – Loan Agreement & Promissory Note