



Adopt the Final Budget and Overall Work Program for Fiscal Year 2023-2024

Action

Prepared by: Loretta Su

Attachments: Yes

Approved by: James Corless

Referring Committee: Policy & Innovation

1. Issue:

The Final Budget and Overall Work Program (Final Budget/OWP) for Fiscal Year (FY) 2023-2024 are ready for board action.

2. Recommendation:

The Policy and Innovation Committee unanimously recommend that the board adopt the Final Budget/OWP for FY 2023-2024

3. Background/Analysis:

The SACOG Board of Directors adopts an annual budget for the SACOG Planning and Administration General Fund (Budget) which includes the OWP activities, Board of Directors and Advocacy budget, capital assets, and can include other related functions/activities not associated with the OWP. The Capitol Valley Regional Service Authority for Freeways and Expressways (CVR-SAFE) Board of Directors adopts its annual budget which includes expenses related to the freeway emergencies services in the counties of El Dorado, Sacramento, San Joaquin, Sutter, Yolo and Yuba counties and its activities are also included in OWP. The annual budgets are prepared on a modified accrual basis of accounting and adopted on a basis consistent with generally accepted accounting principles. The legal level of control is at the object level by fund and the board must approve additional appropriations.

Federal law, including the recently adopted Bipartisan Infrastructure Law, requires the development of an OWP and Budget by the federally designated Metropolitan Planning Organization (MPO). As such, SACOG's OWP describes the continuing, comprehensive, and coordinated metropolitan planning process 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, Caltrans, the El Dorado County Transportation Commission (EDCTC), and the Placer County Transportation Planning Agency (PCTPA).

SACOG's Planning and Administration General Fund Budget includes expenditures for the SACOG Operations and Board and Advocacy. The Operations portion of the budget which includes OWP activities, capital assets and other related activities not associated with the OWP and is mainly funded through a combination of formula-based federal and state revenue sources, supplemented by short term specific discretionary and nondiscretionary grants and contract funds and member dues. The Board and Advocacy Budget portion of the budget includes 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 and Advocacy Budget is primarily funded by annual dues payments from SACOG member cities and counties.

The OWP serves as the primary reference for SACOG's budget and work activities for the upcoming fiscal year (July 1, 2023, through June 30, 2024) and as a grant agreement between SACOG and Caltrans for certain federal and state formula funds that support our ongoing operations, planning, and programming activities. The OWP work plan activities for FY 2023-2024 align and support SACOG's strategic goals: (1) Equity; (2) Economy; and (3) Environment. The OWP requires the approval of Caltrans, Federal Highway Administration (FHWA), and the Federal Transit Administration (FTA) after the adoption by SACOG Board of Directors. An administrative draft version of the OWP was provided to federal, state, and local partners to review and comment on March 1, 2023. The board authorized the release of the Draft Budget/OWP for FY 2023-2024 (Draft Budget) for public comment at the April 2023, board meeting. Caltrans requires that the board adopt the Final Budget/OWP in May to begin expenditure of funds effective July 1, 2023. The Final Budget/OWP reflects comments received from SACOG's federal and state partners, including updates to several project descriptions and tasks/end products. Attachment K includes the review comments received from Caltrans and Federal Highway Administration (FHWA) along with SACOG's responses. None of the comments SACOG received on the draft OWP resulted in a fiscal impact to the Budget.

The Final Budget/OWP for FY 2023-2024 reflects total expenditures of \$37,480,387, a decrease of \$428,724 or 1.1 percent, compared to the Draft Budget released by the board in April 2023. The Final Budget/OWP reflects the adjustment to include 20 percent required match with SACOG Managed Fund for the RAISE grant and a change in how to account for CVR-SAFE staff costs. The CVR-SAFE portion of the staff costs are now reflected in the CVR-SAFE budget, instead of included in SACOG Operations Budget and CVR-SAFE budget. Attachment A provides a summary of revenues changes by funding sources for FY 2023-2024 Final Budget/OWP, compared to FY 2023-2024 Draft Budget and FY 2022-2023 Budget, as amended.

Due to the size of the document, the Final OWP for FY 2023-2024 is available to view or download on SACOG's website by clicking this link: [FY 2023-2024 Final OWP](#).

4. Discussion/Analysis:

Staff is pleased to present the Final Budget/OWP for FY 2023-2024 that balances current year expenditures with current year revenues and use of fund balance. The budget fully funds existing staff and work program activities and fills vacant and new positions. Staff has taken a conservative approach to forecasting revenues and has only included grants and other revenues that are secured and anticipated expenditures in the fiscal year. Several grant applications are still outstanding and any successful applications in the coming months may require adjustments to the budget. Other adjustments may include carryover funds from the current fiscal year that will not be fully spent by June 30, 2023, and any revisions to formula funds pending Caltrans and federal agencies review.

Fund Balance

At June 30, 2023, the SACOG Planning & Administration General Fund unassigned fund balance is projected to be approximately \$5.6 million plus various assigned reserves of \$3.7 million, of which \$600,000 is anticipated surplus from Amendment #3 to the Budget/OWP for FY 2022-2023 and \$500,000 of TDA Carryover Funds to the FY 2023-2024 Budget for committed cash match on grants and ongoing projects and activities. Staff is proposing assigning the \$200,000 surplus from the FY 2022-2023 to the Contingencies Fund Balance which allows the Executive Director to direct these funds to swap out and/or pay for these multi-year projects, and

using \$400,000 of the surplus to fund ongoing projects and activities in the FY 2023-2024 Budget/OWP like the Race, Equity & Inclusion Initiative, Regional Trails Implementation, REAP Housing Support and the Blueprint (MTP/SCS).

The table below summarizes the SACOG Planning and Administrative General Funds by fund balance components at June 30, 2022, and projected balance at June 30, 2023 and 2024. **Attachment M** is the SACOG Fund Balance Policy which includes the guidelines and composition of fund balance, including the establishment and use of various components of the fund balance.

SACOG Planning and Administration General Fund			
	Actual Balance at	Projected Balance at	
	June 30, 2022	June 30, 2023	June 30, 2024
Nonspendable	\$ 96,286	\$ 150,000	\$ 220,000
Restricted	1,308,224	1,218,541	1,164,679
Committed	2,825,329	4,190,874	3,184,271
- Board & Advocacy (1)	250,881	102,958	-
- Community Design Projects	821,546	2,203,546	1,158,574
- Pension Plan	1,752,902	1,884,370	2,025,697
Assigned	1,885,739	2,019,537	1,819,537
- Legal Defense	500,000	500,000	500,000
- Project Specific Carryover Funds	429,531	363,329	213,329
- Capital Equipment	156,208	156,208	106,208
- Contingencies (2)	800,000	1,000,000	1,000,000
Unassigned	15,329,798	15,652,299	14,752,299
- SACOG Managed Fund (3)	7,923,470	7,886,470	7,886,470
- Operating Cash Reserve	2,125,000	2,125,000	2,125,000
- Unassigned (1)	5,281,328	5,640,829	4,740,829
Total	\$ 21,445,376	\$ 23,231,251	\$ 21,140,786

(1) Based on staff proposed changes in the FY 2023-2024 Final Budget

(2) Includes board action in April 2023

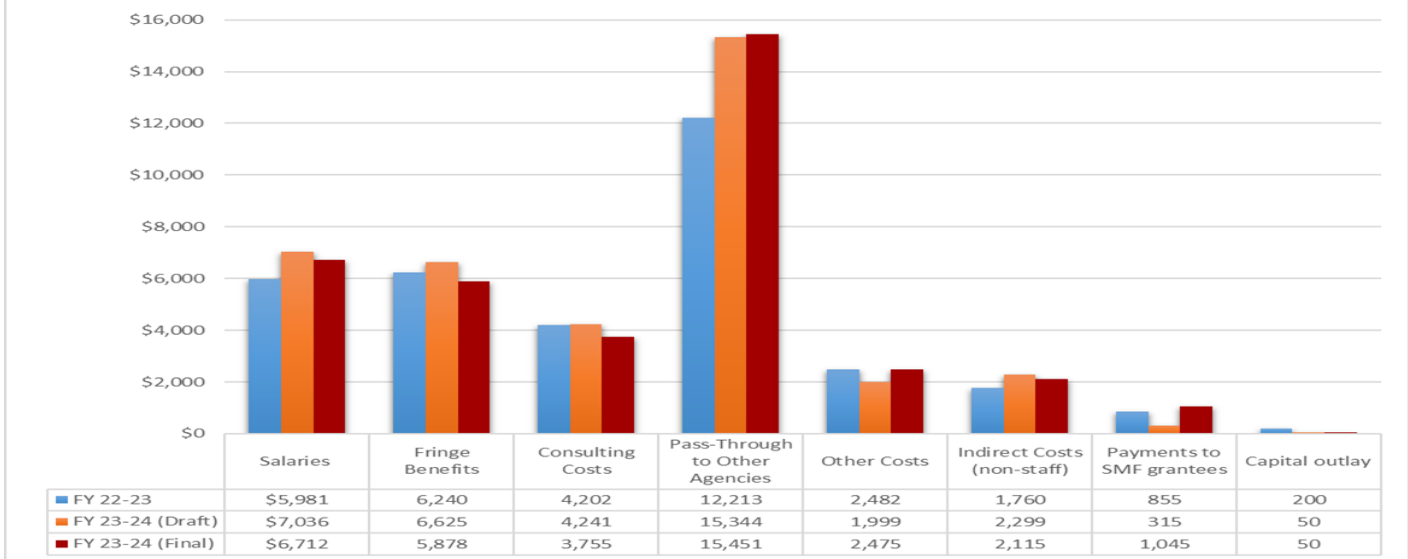
(3) Includes board action in March 2023, and staff proposed changes in the FY 2023-2024 Final Budget

SACOG Planning and Administration Fund Budget

This consists of expenditures for the SACOG Operations and Board and Advocacy.

The chart below shows the expenditures summary for the Planning and Administration General Fund (Budget/OWP) for the fiscal year 2023-2024 which includes the Final Operations and Board & Advocacy Budgets, compared to the FY 2023-2024 Draft Budget and FY 2022-2023, as amended. **Attachment F** provided a summary of revenues and expenditures and estimated Fund Balance for the Planning and Administration General Fund for FY 2023-2024, compared to FY 2022-2023 Budget, as amended.

SACOG Planning and Administration Fund Expenditures Comparison (in 000's)



FY 2023-2024 Final Budget/OWP vs. Draft Budget

Total expenditures are \$37,480,387 in the Final Budget/OWP for FY 2023-2024, a decrease of approximately \$429,000 or 1.1 percent, compared to \$37,909,111 in the Draft Budget. The decrease is due primarily to not accounting for CVR-SAFE staff costs in the SACOG Operations Budget and use of SACOG Managed Fund for the required match for the Raise Grant.

In the 2023-2024 budget year, SACOG is increasing its employee headcount from the 2022-2023 budget. There are several reasons for this:

- ❖ SACOG has not fully restaffed since the beginning of the COVID-19 pandemic;
- ❖ SACOG recently received a \$5 million one-time grant to perform the work in the mobility zone so two new positions are included in the budget;
- ❖ Increase in partners and member jurisdictions' requests for data and ongoing work such as the Blueprint, Next Generation Transit and Racial Equity Action Plan Implementation.

Ability to fund on-going positions:

SACOG has a diversified set of funding sources, all of which except for sales tax revenue are very stable. Under the Bipartisan Infrastructure Law, SACOG is receiving an increase in formula funding which also increases each year under the bill through federal fiscal year 2026. Additionally, SACOG received a \$5 million one-time federal RAISE grant to plan for mobility zones across the six-county region. Staff is recommending utilizing a new ongoing revenue stream, the Carbon Reduction Program, to fund the implementation of the new RAISE Grant once that grant ends. SACOG has prudently managed its reserves to keep more than twomonth operating cash and contingent reserve, as well as establishing a \$2 million pension trust to help manage any significant one-year costs in pension liabilities while paying down SACOG's liabilities.

FY 2023-2024 Final Budget/OWP vs. FY 2022-2023 Budget, as amended

Total expenditures are \$37.5 million in the Final Budget/OWP for FY 2023-2024, an increase of approximately \$3.5 million or 10 percent, compared to \$33.9 million in FY 2022-2023 Budget/OWP, as amended. The increase in FY 2023-2024 is due primarily to the following:

- ❖ Salaries and fringe benefits reflect a net increase of approximately \$368,000, primarily due to a 5

percent cost of living adjustment approved by the board last year as a part of a five-year labor agreement, unfilled vacant positions in FY 2022-2023, and five new positions (four regular and 1 full time equivalency of intern positions) to support primarily the 2025 Blueprint, the RAISE Grant for Mobility Zones, and Racial Equity Action Implementation, offset by eliminating the CVR-SAFE staff costs from the SACOG Operations Budget.

- ❖ In the five-year labor agreement with the Employees Associations that the board approved last year, it included a blend of salary increases for market competitiveness, including cost of living adjustments that adjust based on Consumer Price Index but are capped at 5 percent in 2023 and at 4 percent in subsequent years, and reducing long-term benefits costs.
- ❖ SACOG has a fringe benefit rate that is the method by which costs related to employee benefits are recovered. This rate is approved annually by the Federal Transit Administration and is used uniformly across all staff. Of the total fringe rate of 125.67 percent, 29 percent of the fringe rate is attributable to required unfunded pension liability costs of \$1.4 million which is the largest single cost in the fringe rate. SACOG pre-pays this amount each July to save additional interest costs. As of June 30, 2021, SACOG's classic Tier 1 pension was 77.5 percent funded. As of this observed date, there were 20 active employees from Tier 1 and 139 retirees.
- ❖ Consulting and Pass-Through to Other Agencies for Green Means Go, REAP Housing, Transportation Demand Management and Regional Bike Share Programs of \$2.8 million.
- ❖ Increase SACOG Managed Fund for Community Design projects of \$190,000 and Other Costs of \$198,000.

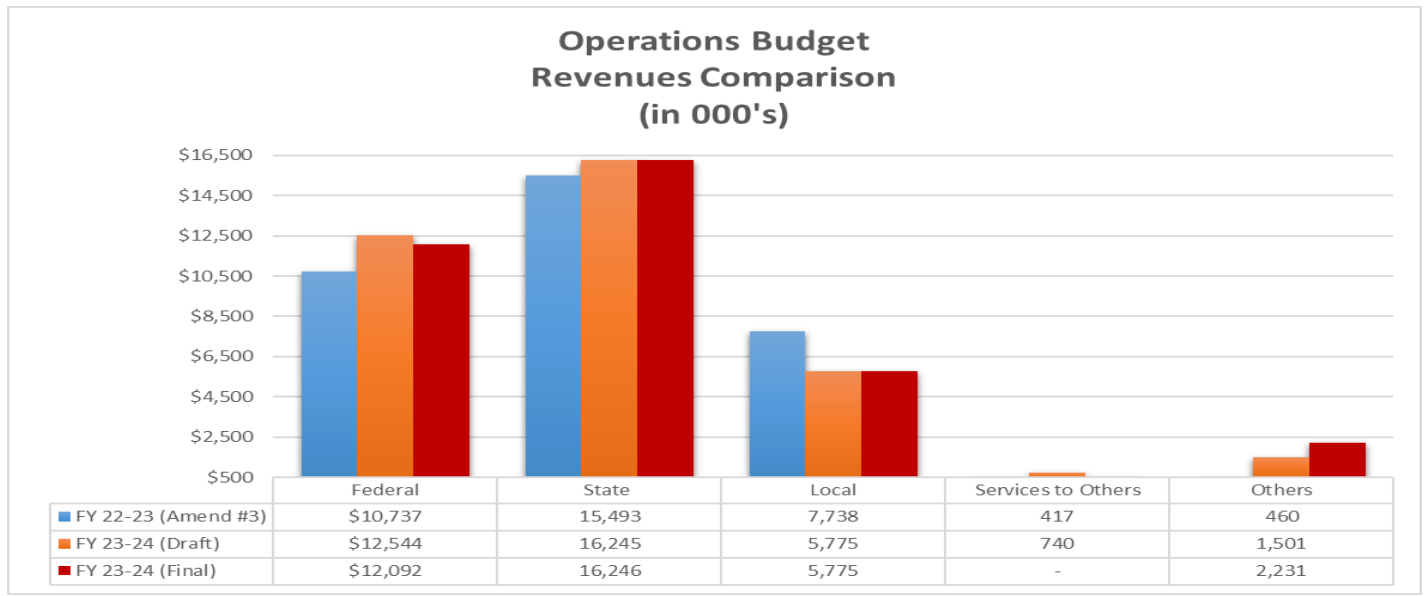
SACOG Operations Budget

This consists of the OWP activities, capital assets and other related functions/activities not associated with the OWP.

Revenues/Used of Fund Balance

SACOG's Operations Final Budget estimated revenues of \$34,356,428 and use of carryover funds and fund balance of \$1,987,507, totaling \$36.3 million in FY 2023-2024, a decrease of approximately \$461,000 or 1.1 percent, compared to the Draft Budget and an increase of approximately \$1.5 million or 4.3 percent, compared to \$34.8 million in FY 2022-2023 Budget/OWP, as amended.

The chart below shows a comparison of revenues for FY 2023-2024 Final Budget, compared to FY 2023-2024 Draft Budget and FY 2022-2023, as amended.



FY 2023-2024 Final Budget/OWP vs. Draft Budget

Total revenue for the Operations Budget is \$34.3 million, a decrease of \$1.2 million or 3.3 percent, compared to the Draft Budget of \$35.5 million. The decrease is primarily due to a change in how to account for CVR-SAFE staff costs and adjustment to include a 20 percent required match for the RAISE grant. As a result, the RAISE revenue is reduced by \$412,000 and offset by increase in use of SACOG Managed Fund.

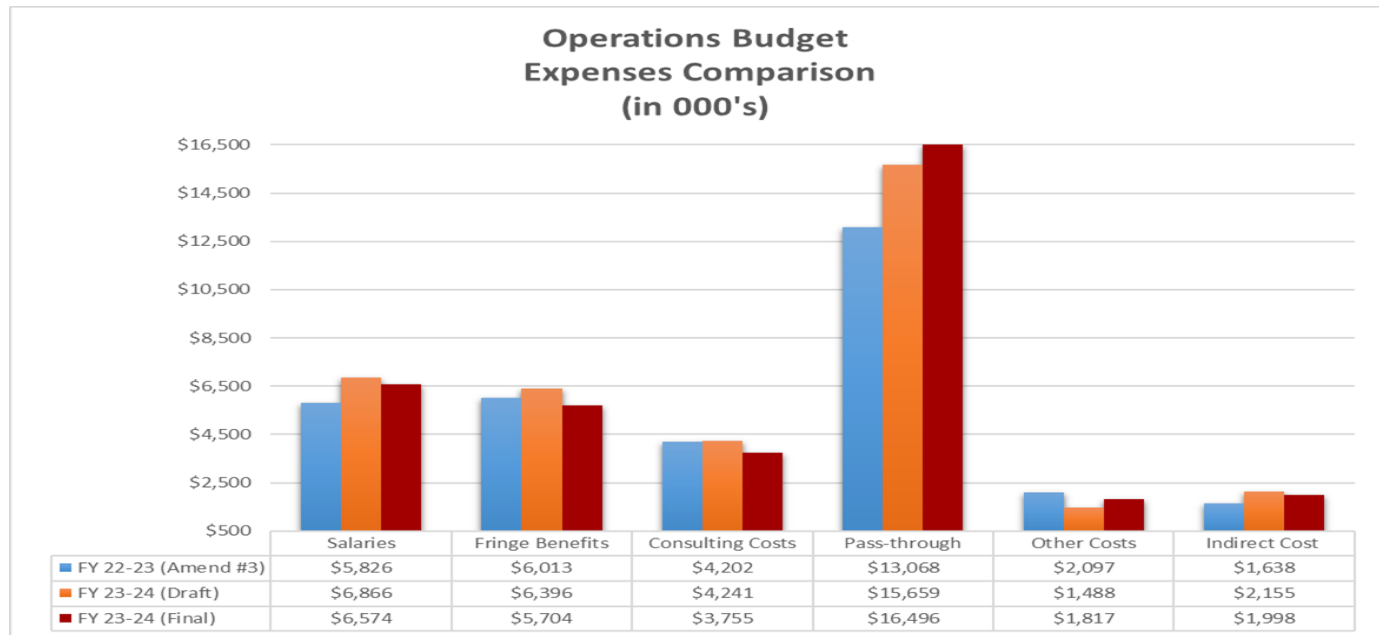
FY 2023-2024 Final Budget/OWP vs. FY 2022-2023 Budget, as amended

The increase in revenues is mainly due to the following:

- ❖ Increase in federal revenue of approximately \$1.3 million primarily due to the RAISE Grant, Transportation Demand Management Program, offset by decrease funding for Regional Transit Study and Transit Recovery Activities
- ❖ Increase in state revenue of approximately \$753,000 primarily due to Green Means Go Program funding of \$2.5 million, offset by decrease in REAP 1 (Housing Elements) funding and PTMISEA funding for the Connect Card Project.
- ❖ Decrease in local funding of approximately \$2 million primarily due to one-time revenue of SACOG Managed Fund (SMF) loan repayment in FY 2022-2023, offset by increase in Transportation Development Act (TDA) funding.
- ❖ Decrease in services to others funding of approximately \$417,000 as a result of not accounting for CVR-SAFE staff costs in SACOG Operations Budget.
- ❖ Increase in the used of fund balance and other local activities of approximately \$1.8 million primarily due to use of SACOG Managed Fund for Community Design Projects and match for RAISE Grant and use of carryover local match and reserve/unassigned fund balance of \$877,000, offset by decrease in local funding for capital equipment purchase in the amount of \$150,000.

Attachment A provides a summary of revenues changes by funding sources for FY 2023-2024 Final Budget/OWP, compared to the Draft 2023-2024 Budget and FY 2022-2023 Budget/OWP. **Attachments B and C** provide a summary of revenues and expenditures included in the FY 2023-2024 Budget/OWP by functional areas. **Attachments D and E** show how revenues and expenditures included in the FY 2023-2024 Budget/OWP are allocated across the agency's work activities.

The chart below shows a comparison of expenditures for FY 2023-2024 Final Budget/OWP, compared to the Draft 2023-2024 Budget and FY 2022-2023 Budget/OWP, as amended.



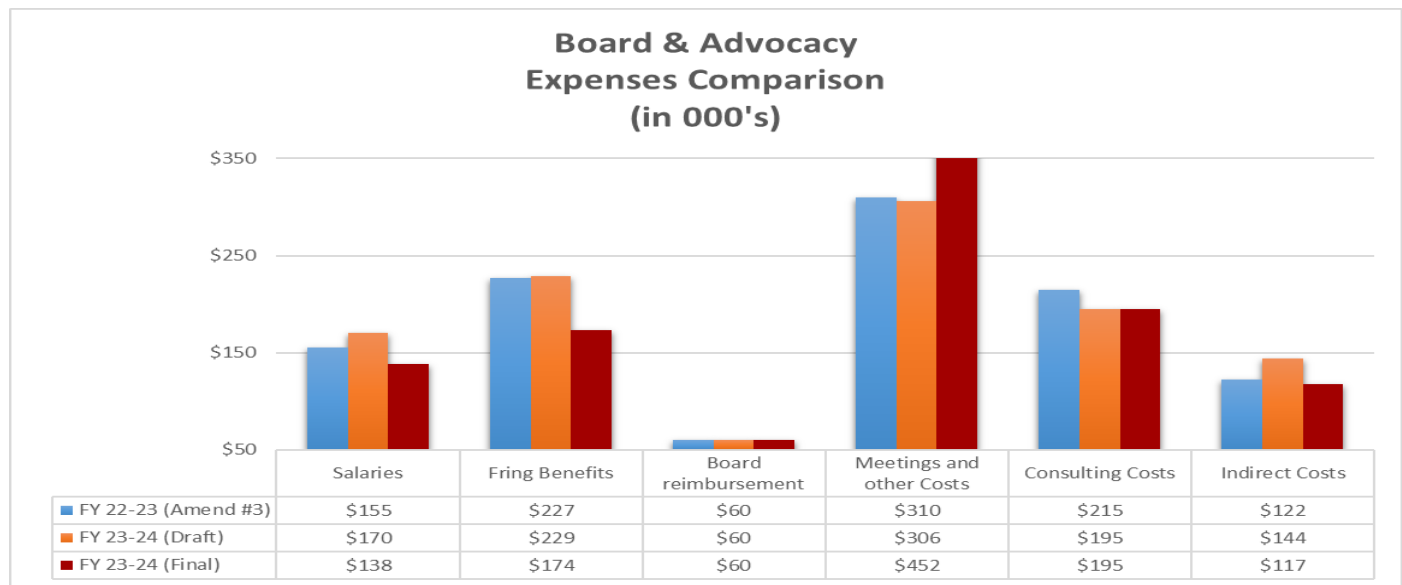
Attachment I is the Capital Assets Budget included in the FY 2023-2024 Budget/OWP.

Attachment J provides a summary of SACOG's overhead costs included as part of the FY 2023-2024 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 benefit and indirect rates for FTA approval by June 2023.

Board and Advocacy Budget

The Board of Directors and Advocacy budget for FY 2023-24 is \$1,136,453, is funded with member dues from member cities and counties and used of Board and Advocacy reserve funds of \$102,958. 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 G** provides a summary of the Final FY 2023-2024 Board and Advocacy budget.

The chart below shows a comparison of expenses for FY 2023-2024 Final Budget/OWP, compared to the 2023-2024 Draft Budget and FY 2022-2023 Budget, as amended.



Attachment L is the resolution approving the SACOG Planning and Administration Fund which includes the Operations Budget and the Board and Advocacy budget.

CVR-SAFE Budget (for Information only)

The CVR-SAFE Board of Directors will act on the draft CVR-SAFE budget in May 2023, and the Final budget in June 2023. The CVR-SAFE Draft Budget for FY 2023-2024 is \$3,391,929. SACOG staff provides administrative services for CVR-SAFE so the activities are included in Budget/OWP. **Attachment H** is the summary of draft CVR-SAFE Budget.

5. Fiscal Impact/Grant Information:

The Final Budget/OWP for FY 2023-2024 reflects a total revenue of \$35,389,922 and used of fund balance of \$2,090,465 for SACOG Planning and Administrative General Fund and total expenditures of \$37,480,387 in salaries, fringe benefits, consulting, pass-through, board expenses, capital, indirect and other expenditures.