

Administration and Projects Committee **STAFF REPORT**

Meeting Date: June 02, 2022

Subject	PUBLIC HEARING: Fiscal Year (FY) 2022-23 Proposed Budget for the Authority and Congestion Management Agency
Summary of Issues	<p>The FY 2022-23 Proposed Budget of \$178.4 million is presented this month for review and comment by the Administration and Projects Committee (APC) and the Authority Board. The budget includes:</p> <ul style="list-style-type: none"> • Expenditures of \$178.4 million, including \$47.3 million for projects; \$83.6 million for congestion management, planning, and programs; \$45 million for debt service; and \$2.5 million for administration. • Revenues of \$161.3 million, including \$50.7 million (28% of all revenues) from Federal, State, and local sources, \$110 million of sales tax revenues and \$621,000 of interest and other income. <p>Other funding sources of \$17.1 million (prior year sales tax revenue programmed for specific projects and programs), which includes \$17 million for ongoing Measure J projects and programs and \$73,000 for Measure C.</p>
Recommendations	<p>Staff seeks approval of Resolution 22-08-A, which will adopt the Authority’s FY 2022-23 budget following a public hearing on June 15, 2022. The proposed budget calls for funding appropriations totaling \$178.4 million for projects, congestion management, planning, programs, administration, and debt service necessary as required for Authority operations, capital improvements and programmed activities planned from July</p>

Staff Contact	1, 2022 through June 30, 2023. Brian Kelleher
Financial Implications	As discussed herein.
Options	The APC or Authority Board could direct revisions to the budget or request more information.
Attachments (See APC Packet dated 6/2/22)	A. Resolution 22-08-A B. Proposed Authority Budget for FY 2022-23
Changes from Committee	<i>None</i>

Background

The budget is a fiscal plan of revenues and expenditures, including funding sources for annual operations and capital expenditures consistent with the Authority’s adopted Measure C and Measure J Strategic Plans. The Authority adopts an annual budget each June for the upcoming fiscal year that begins on July 1st. The next step in the budget process is for the APC to receive and recommend the proposed budget.

The Authority’s proposed budget is \$178.4 million for FY 2022-23. Staff will present an overview of the proposed budget, receive comments, and return on June 15, 2022, to seek a recommendation for approval by the Authority Board following a public hearing.

Sources:	Amended FY 2021-22	Proposed FY 2022-23	Change
Sales Tax Revenues	\$ 108,000,000	\$ 110,000,000	\$ 2,000,000
Federal Revenues	6,806,338	9,499,265	2,692,926
State Revenues	15,390,755	22,883,675	7,492,920
Local Revenues	11,586,461	18,269,547	6,683,087
Investment/Other Income	624,500	621,000	(3,500)
Other Sources	27,601,179	17,137,040	(10,464,138)
Total Sources	\$ 170,009,233	\$ 178,410,527	\$ 8,401,295
Uses:			
Projects Section	\$ 55,646,764	\$ 47,319,586	\$ (8,327,178)
Programs Section	64,156,910	76,781,068	12,624,159
Planning Section	5,804,923	6,813,668	1,008,745
Administration Section	2,269,621	2,476,270	206,649
Debt Service	42,131,015	45,019,935	2,888,920
Total Uses	\$ 170,009,233	\$ 178,410,527	\$ 8,401,295

Additional detail of the above sources and uses are as follows:

Sources

Sales Tax Revenues – projected to be \$110 million:

This represents an increase of 1.85% compared to the budgeted sales tax revenue of \$108 million for FY 2021-22 that was amended in March 2022. Sales tax revenues have remained consistent during the pandemic and the additional sales tax from e-commerce spending (further accelerated due to COVID-19 related store closures) and new taxpayers coming from Wayfair's Assembly Bill (AB) 147 implementation produced statewide and regional growth. Building and construction and auto sales have contributed to the growth in sales tax, whereas, fuel and service stations revenues are increasing with the increased number of employees returning to the office, travel plans returning and rising fuel prices.

The next fiscal year will be impacted by any regional advancements or issues related to the recovery plan. Unemployment continues to improve and travel behaviors will also lead to the

recovery.

Federal Revenues – projected to be \$9.5 million, including the following:

- Federal Demonstration Program revenues of \$2.4 million to fund corridor study costs for the State Route 239 (SR239) project.
- Federal Highway grant revenues of \$6 million to fund costs on the *Innovate 680* project.
- Federal Surface Transportation Program (STP) revenues for Congestion Management Agency (CMA) activities of \$1.0 million and \$50,000 for the Congestion Mitigation and Air Quality Improvement program.

State Revenues – projected to be \$22.9 million, including the following:

- State Transportation Improvement Program (STIP) revenues of \$12 million, including \$7.1 million for costs of the Interstate 680 (I-680)/SR4 Interchange Improvements, \$4.8 million for costs of the City of San Ramon, Iron Horse Trail Overcrossing project, and \$100,000 for the I-680 Carpool Lane Completion project.
- State-Local Partnership Program revenues of \$500,000 for the I-680/SR4 Interchange Improvements project.
- State Highway Operation and Protection Program revenues of \$1.2 million to fund the *Innovate 680* project.
- State Transportation Planning and Local Partnership revenues of \$3.5 million to fund the *Innovate 680* project.
- State Planning, Programming and Monitoring (PPM) revenues of \$356,000 to fund regional planning, program development and implementation of projects.

Local Revenues – projected to be \$18.3 million, including the following:

- Transportation for Clean Air (TFCA) revenues of \$1.6 million for TFCA support, activities and the Regional Rideshare program.

- Contributions from local agency revenues of \$16.1 million, including \$7.3 million from the East Contra Costa Regional Fee & Financing Authority for the Mokelumne Overcrossing project, \$4.2 million from the City of San Ramon for the Iron Horse Trail Overcrossing project, \$1.4 million from the City of San Ramon as part of the funding exchange agreement with the Authority utilizing STIP revenues for the Iron Horse Trail Overcrossing project, \$325,000 from the Metropolitan Transportation Commission (MTC) for a grant for the *Innovate 680* project, \$784,000 from Contra Costa County (County) for the SR239 project, \$480,000 from the local cities, towns, and County for the CMA functions performed by the Planning Department, \$575,000 from the California Department of Transportation for the Sustainable Communities Grant, \$500,000 from Alameda County Transportation Commission (ACTC) for the Bi-County Activity-Based Model, \$200,000 from local cities/towns for the subscription to StreetLight Data, \$50,000 from MTC for the CMA study, and \$333,000 in contributions from GoMentum Station related to staff allocation and support.
- The sale of remnant land parcels associated with the SR4 Widening project will generate \$100,000.

Investment Income – projected at \$620,000 on earnings in the Authority’s cash portfolios:

This represents a decrease of \$3,500 from the prior year as investment rate of returns have been reduced and the investment balance has decreased from the utilization of Measure J resources on capital projects. It is important to note that in compliance with the Governmental Accounting Standards Board’s standards, the actual amount of interest revenue is adjusted to recognize realized and unrealized gains and losses. The Authority’s investment securities value is affected by the rise or fall in interest rates. The book value changes of the investment securities are reportable as investment income. Such adjustments are book-entry only and unrealized gains or losses are only recognized should an investment be sold prior to maturity.

Other Sources – projected to be \$17.1 million, including prior year revenues of the following:

These other sources are the constant accumulation of sales tax revenue collected in prior years programmed to specific projects and programs as outlined in the adopted Measure J and Measure C Strategic Plans. The funds are tracked and restricted specifically for carrying

out the particular project or program. The FY 2022-23 projects, planning and programs have sufficient resources available to fund these planned expenditures. The timing of these expenditures by categories can fluctuate from year-to-year and in some cases the revenues can exceed the current year's allocations. Capital projects and local agency projects typically take several years to complete and require resources greater than current year funding. These projects will utilize the sales tax collected in prior years programmed specifically for the appropriate project. Should sufficient funds not be available, the project will not be brought to the Authority Board for approval. Capital projects may not be completed in the current fiscal year and need to be budgeted again in the following fiscal year to accommodate for project delays or submittal by the local agencies for reimbursement from the Authority. Federal/State and local funding also continue to be major funding sources in the capital projects category. The Authority will utilize these Measure J and Measure C resources to temporarily fund the projects as the Authority anticipates receiving these grants in the form of reimbursements once project expenditures are incurred. Sometimes these grants are received the following fiscal year.

- Measure J expenditures exceed current year revenue projections by \$17 million for these projects and programs. These major categories include:
 - \$9.2 million for Capital Projects
 - \$3.4 million for Pedestrian, Bicycle and Trail Facilities (PBTF)
 - \$1.7 million for Congestion Management, Planning, and Facilities
 - \$1.2 million for Ferry Service in West County
 - \$700,000 for Bus and Express Bus Services
 - \$620,000 for Transportation for Livable Communities (TLC)
- Measure C capital project expenditures will utilize accumulated revenues of \$73,000 to fund remaining Measure C commitments. The reserve balance is approximately \$5.4 million for capital projects.
 - Capital project closeouts will continue, and projects will utilize the available funds in the Measure C Strategic Plan. Several of these projects have progressed much slower than anticipated.

Expenditures

Projects Section – projected to be \$47.3 million, including the following:

- Project management expenditures of \$2.2 million for related salaries and benefits, supplies and support for ongoing and new projects. This includes an increase of \$325,000 from the prior year for salaries and benefits to reflect expected employee allocation changes. Contract services were increased by \$30,000 related to project management administrative functions and continued program support and services.
- Capital Project expenditures of \$45.1 million for the estimated project expenditures are anticipated during FY 2022-23. The major project expenditures for next fiscal year by category or corridor are as follows:

Planned Project Activities for Fiscal Year (FY) 2022-23

Category or Corridor	Amount	Description
SR4 East Widening (CIP3 - 9627)	\$773,966	Landscaping and Right-of-Way (ROW) closeout activities will continue on SR4 from Somersville Road to SR160 (Project 1407/3001).
Capital Corridor Rail Station Improvements (CIP4 - 9628)	\$205,000	Environmental mitigation and monitoring will continue on the “Path-to-Transit” component of the Hercules Rail Station (Project 4001).
East County Corridors (CIP5 - 9629)	\$10,798,000	Construction will continue on the Mokelumne Bridge Pedestrian and Bicycle Overcrossing (Project 5005) and work will continue on the environmental clearance phase for SR239 (Project 5009).
I-680/SR242 Interchange Improvements (CIP6 - 9630)	\$11,242,052	Work on the design phase will continue on the I-680/SR4 Interchange, Phases 1, 2A, and 4 (6001b).

I-80 Improvements (CIP7 - 9631)	\$989,000	Environmental clearance work will continue on the I-80/Central Avenue, Phase 2 (Project 7003).
I-680 Corridor (CIP8 - 9632)	\$17,768,518	Closeout activities will continue on the I-680 Southbound High Occupancy Vehicle Completion and Express Lanes Conversion project (Project 8001), and project development activities will continue on the <i>Innovate 680</i> (Project 8009), including the I-680 Northbound Express Lane, Automated Driving Systems and Mobility-as-a-Service.
Bay Area Rapid Transit Improvements (CCMP10 - 9634)	\$786,000	Construction work will continue on the Hercules Transit Center (Project 10002-06) and design activities will start on the Central County Faregate Replacement (Project 10001-09).
Subregional Major Streets Improvements (SPP24 - 9648)	\$1,848,173	Design, ROW activities and/or construction will begin and/or continue on several projects: Norris Canyon Road Safety Improvements (Project 24023), Danville Boulevard and Orchard Road Complete Streets (Project 24024), and San Ramon Valley Boulevard (Project 24033), along with others.
SR4: Railroad Avenue to Loveridge Road (TRAN9 - 9572)	\$99,271	County ROW services will continue on the SR4 Railroad Avenue to Loveridge Road (Project 1405C).

Programs Section – projected to be \$76.8 million:

Program funding as outlined in the Expenditure Plan for a range of programs including Bus

Services 8.4%, Commute Alternatives 1.0%, Paratransit 6.15%, Local Streets and Roads 20.09%, Express Bus 4.3%, Safe Transportation for Children 4.55%, TLC Project Grants 4.0%, and PBTF 1.54%. Current allocations and commitments are based off these formulas to establish the annual expenditures by program category. Included in the programs section is the City of San Ramon PBTF for the Iron Horse Trail Overcrossing project which has a budget of \$9.6 million in construction and project management expenditures.

Planning Section – projected to be \$6.8 million:

The Authority performs required services as the designated CMA for the County per a Joint Powers Agreement with local jurisdictions. The CMA budget was approved by the Authority Board for circulation to the region's Public Managers' Association (PMA) and approved by the PMA in May 2022.

The highlights of the CMA budget include:

- \$1 million for the Bi-County Activity Based Model Development (WSP, USA Inc. – Agreement No. 564)
- \$500,000 for Regional planning tasks (Advanced Mobility Group – Agreement No. 526)
- \$600,000 for the Action Plan update (Placeworks, Inc. – Agreement No. 465)
- \$502,000 for the StreetLight Data subscription
- \$400,000 for On-Call Transportation Modeling (Mark Thomas & Company, Inc. – Agreement No. 499)
- \$375,000 for Development of Vehicle Miles Traveled Mitigation Program (Fehr and Peers (F&P) – Agreement No. 565)
- \$350,000 for On-Call Strategic Communications
- \$375,000 for Congestion Management Program Support, Modeling, and Monitoring
- \$200,000 for the Vision Zero Implementation Plan (Planning/CMA)

- \$300,000 for the update to the Countywide Bicycle and Pedestrian Plan (F&P – Agreement No. 450)
- \$150,000 for the San Pablo Avenue Multimodal (ACTC/West Contra Costa Transportation Advisory Committee – Cooperative Agreement No. 18W.02)
- \$100,000 for the Small-Scale Data Repository (Davteq, Inc. – Agreement No. 570)

Administrative Section – projected to be \$2.5 million, including the following:

- Administrative salaries and benefits of \$754,000. The annual allocation of sales tax revenue is 1.0%. Based on the proposed budget of \$110 million, 1.0% is \$1.1 million. This represents 69% of the annual 1.0% limitation on administrative salary and benefits costs established by Measure J.
- Services and supplies of \$1.7 million. The budget includes an \$80,000 increase for the office lease as the original agreement was signed in 2010. In the lease, the 132-month of the agreement requires no payment. This savings of \$37,000 was in the prior fiscal year. Current increases are in the lease agreement and the monthly common area maintenance at \$4,000 per month. Public engagement services will increase by \$50,000 and a reduction of \$50,000 for replacement of information systems as the Zoom room installation will be completed. The other expenditure categories include consultants, attorney fees, staff development, memberships, travel costs, and office supplies.

Debt Service – projected to be \$43.5 million to pay principal and interest on the Authority's Bonds:

Debt service payments on the debt portfolio includes the principal payment of \$26.3 million, and the interest payment of \$18.7 million.

Changes in Fund Balance

The Authority's Fund Balance represents accumulated funds available to be spent in the future as outlined in the Measures C and J Strategic Plan(s). Accumulated funds include sales tax revenues, interest earnings, bond proceeds and any other amounts received in a year prior to the proposed budget year. The proposed budget estimates a \$17.1 million decline in

fund balance due to the planned capital expenditures and programs as discussed previously in the Expenditures section above. The projected ending fund balance for the current FY 2021-22 is \$79.3 million. This budgeted fund balance is based on all projected revenues and expenditures meeting the FY 2021-22 budget. The proposed ending fund balance of \$62.2 million for the proposed FY 2022-23 budget includes the Authority's Measures C and J reserves.

Staffing Budget Discussion

The proposed budget includes all salary adjustments and changes in benefits. In summary, the proposed budget includes the following assumptions:

- Authorized full-time equivalent positions will be 21 for FY 2022-23.
 - Current budget accounts for 19.5 positions. The budget includes the filling of the vacant Finance Manager position and addition of a Director, Mobility Programs position. The Deputy Executive Director, Projects will be added in the mid-year budget once the position is filled.
- Authorized Consumer Price Index increases to salaries and salary ranges of 3.5%. This represents an increase of \$171,000 for salaries and benefits. Annual employee reviews are completed by the Executive Director that takes into account performance, job growth, added responsibilities and goals. This annual process will be completed in July.
- Other Post-Employment Benefits Health Care contribution rate remains at 2.0% to reflect the Authority's current funding obligations.
- Authority employees pay the employee portion of the California Public Employees' Retirement System pension cost. The Authority's pension contribution rates for Classic employees decreased from 10.34% to 10.32% and the Public Employees' Pension Reform Act rates decreased from 7.59% to 7.47%.

An allocation of staff time was developed for the budget (see Exhibit 8: Staff Budget Allocation). The allocation plan estimates the proportion of each staff member's time assigned to each of the Authority's tasks and funding source. Staff costs are apportioned to

departments (or orgs), such as administration, project management, programs, projects, and planning functions.

Budget Control Policy

The control threshold is 5.0% for operations and 10% for projects and programs consistent with Resolution 98-05-A. For example, salaries and benefits (budget category level) cannot exceed the salaries and benefits amount in the adopted budget by 5.0% (or \$5,000, whichever is greater). For projects and programs, the budget control is at the project category level since it can include several contracts or agreements. For example, SR4 East Widening – CIP3 (project category level) cannot exceed the final annual expenditures in CIP3 by the amounts set in the budget by more than 10% (or \$10,000, whichever is greater).

Description of Exhibits

Exhibit 1 is a table showing Revenues, Expenditures, and Changes in Fund Balance for All Fund Types combined.

Exhibit 2 is a table showing Revenues, Expenditures, and Changes in Fund Balance by Each Fund Type separately.

Exhibit 3 is a revenue line item budget detail for all funds.

Exhibit 4 is an expenditure line item budget detail for Programs including Local Street Maintenance and Improvements – 18.0% return to source funds.

Exhibit 5 shows the line item expenditure budget detail for Projects. Measures C and J projects are shown separately.

Exhibit 6 is an expenditure line item budget detail for General Administration and Project Management. Authority-wide Services, Supplies, and Fixed Assets are usually contained in the Administration category.

Exhibit 7 shows the line item expenditure budget detail for the CMA sections: Regional Planning and Growth Management, Congestion Management, and Sustainable Communities Strategy Implementation.

Exhibit 8 is the Staff Budget Allocation to the respective categories, funding source, and

budgeted amounts.

Exhibit 9 is the Salary and Benefits Budget Detail.

Next Steps

Following APC comments and direction, the proposed budget for FY 2022-23 will be presented to the Authority Board on June 15, 2022 following a public hearing.

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