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## *Administration and Projects Committee* **STAFF REPORT**

**Meeting Date:** June 01, 2023

<b>Subject</b>	<b>PUBLIC HEARING: Fiscal Year (FY) 2023-24 Proposed Budget for the Authority and Congestion Management Agency</b>
<b>Summary of Issues</b>	<p>The FY 2023-24 Proposed Budget of \$217.7 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"><li>• Expenditures of \$217.7 million, including \$59.8 million for Measure J projects; \$4.6 million for non-Measure J projects; \$104.8 million for congestion management, planning, and programs; \$45 million for debt service; and \$3.5 million for administration.</li><li>• Revenues of \$193.4 million, including \$69.2 million (35.8% of all revenues) from Federal, State, and local sources; \$117.0 million of sales tax revenues; \$2.6 million of interest and other income; and \$4.6 million from grants and local contributions for non-Measure J projects.</li></ul> <p>Other funding sources of \$24.3 million (prior year sales tax revenue programmed for specific projects and programs), which is for ongoing Measure J projects and programs.</p>
<b>Recommendations</b>	<p>Staff seeks approval of Resolution 23-26-A, which will adopt the Authority's FY 2023-24 budget following a public hearing on June 21, 2023. The proposed budget calls for funding appropriations totaling \$217.7 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 1, 2023 through June 30, 2024.</p>

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<b>Staff Contact</b>	Brian Kelleher
<b>Financial Implications</b>	As discussed herein.
<b>Options</b>	The APC or Authority Board could direct revisions to the budget or request more information.
<b>Attachments (See APC Packet dated 6/1/23)</b>	<b>A.</b> Resolution 23-26-A <b>B.</b> Proposed Authority Budget for FY 2023-24
<b>Changes from Committee</b>	<i>None</i>

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### 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 \$217.7 million for FY 2023-24. Staff will present an overview of the proposed budget, receive comments, and return on June 21, 2023, to seek a recommendation for approval by the Authority Board following a public hearing.

Sources:	Amended FY 2022-23	Proposed FY 2023-24	Change
Sales Tax Revenues	\$ 110,000,000	\$ 117,000,000	\$ 7,000,000
Federal Revenues	7,857,596	12,389,801	4,532,205
State Revenues	18,807,482	38,147,234	19,339,752
Local Revenues	15,139,848	18,703,801	3,563,953
Investment/Other Income	1,132,500	2,595,700	1,463,200
Bonds Proceeds	-	-	-
Other Sources	9,194,834	24,298,373	15,103,539
Non-Measure J Projects Funding	-	4,603,050	4,603,050
<b>Total Sources</b>	<b>\$ 162,132,260</b>	<b>\$ 217,737,959</b>	<b>\$ 55,605,699</b>
Uses:			
Projects Section	\$ 40,843,392	\$ 59,848,345	\$ 19,004,953
Programs Section	65,755,760	96,260,062	30,504,302
Planning Section	7,985,873	8,542,918	557,045
Administration Section	2,527,300	3,465,294	937,994
Debt Service	45,019,935	45,018,290	(1,645)
Non-Measure J Projects	-	4,603,050	4,603,050
<b>Total Uses</b>	<b>\$ 162,132,260</b>	<b>\$ 217,737,959</b>	<b>\$ 55,605,699</b>

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

### Sources

#### Sales Tax Revenues – projected to be \$117 million:

This represents an increase of 6.36% compared to the budgeted sales tax revenue of \$110 million for FY 2022-23. Sales tax revenues have seen a slight on-going increase post pandemic. General consumer goods, auto sales, restaurants, and hotels, have contributed to the growth in sales tax. Fuel and service stations revenues are increasing with the increased number of employees returning to the office, travel plans returning, and rising fuel prices.

In the next fiscal year, the sales tax revenue growth is projected to be slow as consumers are closely monitoring their own financial situation.

#### Federal Revenues – projected to be \$12.4 million, including the following:

- Federal Highway grant revenues of \$6.2 million to fund costs on the Innovate 680 project.
- Federal Demonstration Program revenues of \$1.6 million to fund the corridor study

for the State Route 239 (SR239) project.

- Federal Surface Transportation Program revenues for Countywide Smart Signals Design of \$1.3 million, \$1.5 million for the Countywide Safe Routes to School, and \$1 million for the Congestion Mitigation and Air Quality Improvement program.

State Revenues – projected to be \$38.1 million, including the following:

- State Transportation Improvement Program (STIP) revenues of \$15.1 million, including \$6 million for costs of the Interstate 680 (I-680)/SR4 Interchange Improvements project, and \$9.1 million for costs of the Iron Horse Trail Overcrossing project in the City of San Ramon.
- State Highway Operation and Protection Program revenues of \$15 million to fund the I-680/SR4 Interchange Improvements project.
- State Transportation Planning and Local Partnership Program (LPP) revenues of \$1.7 million and \$2.9 million, respectively to fund the Innovate 680 project.
- State California Energy Commission revenues of \$2.2 million to fund the Electric Vehicle Ready Communities project under the Clean Transportation program.
- State Planning, Programming and Monitoring revenues of \$284,000 to fund regional planning, program development and implementation of projects.

Local Revenues – projected to be \$18.7 million, including the following:

- Transportation for Clean Air (TFCA) revenues of \$1.7 million for TFCA support, activities and the Regional Rideshare program.
- Regional Measure 3 revenues of \$4.4 million for the Mokelumne Overcrossing project.
- Contributions from local agency revenues of \$12.4 million, including \$3 million from the City of San Ramon for the Iron Horse Trail Overcrossing project, \$2.5 million from local contributions for the Countywide Smart Signals project as part of the funding exchange agreement with the Authority utilizing LPP revenues, \$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, \$609,000 from the City of Orinda as part of the funding exchange agreement with the Authority utilizing STIP revenues for the Citywide Street Maintenance & Rehabilitation project,

\$1.8 million from Measure X for the Accessible Transportation Strategic Plan, \$630,000 from MTC for a grant for the SR4 Express Lane Study project, \$409,000 from Contra Costa County (County) for the SR239 project, \$262,500 from the Alameda County Transportation Commission for the Bi-County Activity-Based Model, and \$291,000 from local cities/towns for the subscription to StreetLight Data.

- The sale of remnant land parcels associated with the SR4 Widening project will generate \$200,000.

Investment Income – projected at \$2.6 million on earnings in the Authority’s cash portfolios:

This represents an increase of \$1.5 million from the prior year as investment rate of returns have increased due to higher interest rates. 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 \$24.3 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 2023-24 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 project 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 revenue projections by \$24.3 million for these projects and programs. These major categories include:
  - \$10.4 million for Capital Projects
  - \$9 million for Transportation for Livable Communities (TLC)
  - \$3.7 million for Pedestrian, Bicycle and Trail Facilities (PBTF)
- Measure C capital project expenditures will utilize accumulated revenues of \$24,000 to fund remaining Measure C commitments. The reserve balance is approximately \$3.6 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.

Non-Measure J Projects – projected to be \$4.6 million, Safe Streets and Roads for All (SS4A) grant funding and local agency contributions:

The funding for these non-Measure J projects is from the U.S. Department of Transportation for 511 projects through the new SS4A Grant Program. The Authority was allocated \$28.9 million in grant funding. Timing of the \$4.6 million in reimbursements will be dependent on the project expenditures anticipated in FY 2023-24 and include local agency contributions for matching funds.

## **Expenditures**

Projects Section – projected to be \$59.8 million, including the following:

- Project management expenditures of \$2.9 million for related salaries and benefits, supplies, and support for ongoing and new projects. This includes an increase of \$651,000 from the prior year for salaries and benefits to reflect expected employee allocation changes. Contract services were increased by \$18,000 related to project management administrative functions and continued program support and services.
- Capital Project expenditures of \$56.9 million for the estimated Measure J project

expenditures are anticipated during FY 2023-24. Non-Measure J projects expenditures of \$4.6 million (as listed on Exhibit 5B) is estimated for projects that will be funded by SS4A grants. The major project expenditures for next fiscal year by category or corridor are as follows:

**Planned Project Activities for Fiscal Year (FY) 2023-24**

Category or Corridor	Amount	Description
<b>MEASURE J</b>		
SR4 East Widening (CIP3 - 9627)	\$693,124	Landscaping and Right-of-Way (ROW) closeout activities will continue on SR4 from Somersville Road to SR160 project (Project 1407/3001).
East County Corridors (CIP5 - 9629)	\$7,333,819	Construction will continue on the Mokelumne Bridge Pedestrian and Bicycle Overcrossing project (Project 5005) and work will continue on the environmental clearance phase for the SR239 project (Project 5009).
I-680/SR242 Interchange Improvements (CIP6 - 9630)	\$22,179,537	Work on the design phase will continue on the I-680/SR4 Interchange Improvements project, Phases 1 2A, 3 and 4 (Project 6001b).
I-80 Improvements (CIP7 - 9631)	\$907,033	Environmental clearance work will continue on the I-80/Central Avenue, Phase 2 project (Project 7003).
I-680 Corridor (CIP8 - 9632)	\$17,982,496	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 Innovate 680 project (Project 8009), including the I-680 Northbound Express Lane, Automated Driving Systems and Mobility-as-a-Service.

Bay Area Rapid Transit Improvements (CCMP10 - 9634)	\$344,692	Construction work will continue on the Hercules Transit Center project (Project 10002-06) and design activities will start on the Central County Faregate Replacement project (Project 10001-09).
Subregional Major Streets Improvements (SPP24 - 9648)	\$6,615,418	Design, ROW activities and/or construction will begin and/or continue on several projects: Norris Canyon Road Safety Improvements project (Project 24023), Danville Boulevard and Orchard Road Complete Streets project (Project 24024), and the San Ramon Valley Boulevard project (Project 24033), along with others.
<b>NON-MEASURE J – SS4A Grant</b>		
Countywide Smart Signals (31000)	\$551,050	Environmental clearance work will continue on this project.
Antioch Bike Garden (31002)	\$680,000	Design and environmental clearance work will start on this project.
L Street in Antioch (31003)	\$720,000	Design and environmental clearance work will start on this project.
Richmond Street in El Cerrito (31004)	\$436,000	Design and environmental clearance work will start on this project.
Moraga Way in Moraga (31005)	\$620,000	Design and environmental clearance work will start on this project.
Signal Earmark in Concord (31007)	\$300,000	Design and environmental clearance work will start on this project.
Signal Earmark in Danville (31008)	\$250,000	Design and environmental clearance work will start on this project.

Signal Earmark in Lamorinda (31009)	\$600,000	Design and environmental clearance work will start on this project.
East Bay Regional Park District (31010)	\$396,000	Design and environmental clearance work will start on this project.
Dynamic Personal Micro Transit (31011)	\$50,000	SMART Planning and project feasibility study.

Programs Section – projected to be \$96.3 million:

Programs 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 TLC City of San Ramon for the Iron Horse Trail Overcrossing project budgeting \$12.1 million in project management tools and monitoring expenditures.

Planning Section – projected to be \$8.5 million:

The Authority performs required services as the designated Congestion Management Agency (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 2023.

The highlights of the CMA budget include:

- \$630,000 for Countywide Comprehensive Safety Action Plan (Kimley-Horn and Associates Inc. – Agreement No. 611 and Kittelson & Associates Inc. – Agreement No. 612)
- \$575,000 for Bi-County Activity Based Model Development (WSP, USA Inc. – Agreement No. 564)
- \$550,000 for the Streetlight Data subscription (Streetlight Data – Agreement No. 569)
- \$500,000 for regional planning tasks (Advanced Mobility Group – Agreement No. 526)

- \$295,000 for an update to the Countywide Bicycle and Pedestrian Plan (Fehr and Peers – Agreement No. 450)
- \$150,000 for Congestion Management Program Monitoring (TJKM Transportation Consultants – Agreement No. 619)
- \$150,000 for Vehicle Miles Traveled Mitigation Calculator (Placeworks, Inc. – Agreement No. 465)
- \$120,000 for Data Repository and Performance Metrics (Davteq Inc – Agreement No. 603)
- \$150,000 for Vision Zero Implementation (TBD)
- \$125,000 for Strategic Communications (TBD)

**On-call agreements awarded and to be awarded in current year:**

- \$1.3 million for Smart Signals Design (On-Call Bench)
- \$1 million for CMA support and Countywide Transportation Plan Update (On-Call Bench)
- \$450,000 for Community-Based Transportation Plan (On-Call Bench)
- \$265,000 for an update to the Countywide Bicycle and Pedestrian Plan (On-Call Bench)
- \$200,000 for On-Call Transportation Planning Support (On-Call Bench)

Administrative Section – projected to be \$3.5 million, including the following:

- Administrative salaries and benefits of \$975,000. The annual allocation of sales tax revenue is 1.0%. Based on the proposed budget of \$117 million, 1.0% is \$1.2 million. This represents 83.4% of the annual 1.0% limitation on administrative salary and benefits costs established by Measure J.
- Services and supplies of \$2.4 million. The budget includes a \$138,000 increase for the office lease as the original agreement was signed in 2010. Current increases are in the lease agreement and the monthly common area maintenance at \$4,000 per month. Public engagement services increase by \$375,000 and a reduction of \$10,000 for

replacement of information systems as no major replacement scheduled in the current fiscal year. Professional/specialized services increase by \$160,500 to cover new organizational assessment, study, and human resources consulting services. Transportation and travel increase by \$15,000 as staff travel more post-pandemic for conferences and training. The other expenditure categories include attorney fees, staff development, memberships, food, and office supplies.

Debt Service – projected to be \$45 million to pay principal and interest on the Authority’s Bonds:

Debt service payments on the debt portfolio include the principal payment of \$27.6 million, and the interest payment of \$17.4 million.

**Changes in Fund Balance**

The Authority’s Fund Balance represents accumulated funds available to be spent in the future as outlined in the Measure J and Measure C 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 \$24.3 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 2022-23 is \$70.1 million. This budgeted fund balance is based on all projected revenues and expenditures meeting the FY 2022-23 budget. The proposed ending fund balance of \$45.8 million for the proposed FY 2023-24 budget includes the Authority’s Measure J and Measure C 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 increase to 25.
  - The current budget accounts for 19 staffed positions and 6 unfilled positions. The budget includes the new positions for a Contracts Manager, Programs Manager, Administrative Assistant, Senior Engineer and Associate Engineer. The Deputy Executive Director position remains vacant. Budget has been appropriated for the new and vacant positions. Recruitments will occur in the fiscal year and budget adjustments will be refined during the mid-year budget

when the positions are filled.

- Salary and benefits have increased \$863,000 over the prior fiscal year. This increase is reflected in the additional staff positions, proposed Consumer Price Index increases to salary ranges (not actual salaries) of 4.9%, and annual employee reviews to be completed by the Executive Director. Annual employee performance evaluations occur in July and take into account performance, job growth, added responsibilities and goals.
- 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 increased from 10.32% to 11.84% and the Public Employees' Pension Reform Act rates increased from 7.47% to 7.68%.

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 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 5A shows the line-item expenditure budget detail for Measure C and Measure J projects. Measure C and Measure J projects are shown separately.

Exhibit 5B shows the line-item expenditure budget detail for non-Measure projects (SS4A Grant Program). These projects are funded by external sources outside Measure J.

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 sources, and budgeted amounts.

Exhibit 9 is the Salary and Benefits Budget Detail.

### **Next Steps**

Following APC comments and direction, the proposed budget for FY 2023-24 will be presented to the Authority Board on June 21, 2023 following a public hearing.

Staff seeks approval of Resolution 23-26-A, which will adopt the Authority's FY 2023-24 budget following a public hearing on June 21, 2023. The proposed budget calls for funding appropriations totaling \$217.7 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 1, 2023 through June 30, 2024.

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