



MAY 9, 2024

AGENDA ITEM # 7

INTRODUCE DRAFT STA BUDGET FOR FISCAL YEAR 2024-25 AND CONTINUE TO THE JUNE 13, 2024 BOARD MEETING

Action Requested: Open Public Hearing and Continue to June 13th

Key Staff: Dustin Purinton, Accounting Manager

Recommendation

Open the public hearing on the draft STA budget, related resolution and continue the item to June 13th.

Discussion

The law requires the Authority to adopt an annual budget. The budget process starts at the staff level in December with internal discussions and continues through April when staff reach out to Measure A program partners to gather information about their spending plans for the remainder of the current year and the budget year. This is a collaborative effort that will continue until the final budget is adopted in June.

Attached is a draft of the final FY 2024-25 budget. The draft is a working copy of the document that will be brought back to the Governing Board in June. The budget is complete except for one notable exception – the appropriations limit calculation cannot be determined until the California Department of Finance publishes the price factors and population information letter for FY 2024-25 (expected mid-May).

The budget resolution in FY 2024-25 includes language to allow STA staff to administer budget balances to a limited degree without Board approval. The appropriation amendment limit is proposed to be \$50,000 as an absolute value (increases or decreases) per fund from the fund balance. Additionally, sales tax revenues are variable, and they flow directly into the ongoing allocations to partner agencies. STA staff is proposing amendments to the sales tax revenues to reflect actual receipts and adjust the corresponding ongoing allocations that are paid in proportion from sales tax receipts. These authorized abilities will allow for real-time budget adjustments that will alleviate budget constraints within approved limits.

The budget incorporates updated sales tax revenue forecasts developed in conjunction with the Authority's consultant – Avenu Insights and Analytics (Avenu) – in December 2023. In addition, staff worked with all remaining Capital Improvement Program (CIP) partners to determine funding needs for their projects over the next five years. The Authority continues to have sufficient fund

balance and new revenues to fund the CIP without the need to issue additional debt. In general, the Authority is in good financial condition as staff regularly assess revenues, expenditure, and cash balances to insure that needed and available funding are complimentary.

The following information captures highlights from the draft budget.

General Fund

The General Fund reports all Measure A revenues including sales tax, Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP), interest income on fund balance, and interest rate hedging derivatives (the underlying interest swap agreements were terminated in September 2023). The General Fund also reports SacMetro FSP state and local grants. The Sacramento Abandoned Vehicle Service Authority (SAVSA), Neighborhood Shuttle, and Consolidated Transportation Services Agency (CTSA) are reported separately as Special Revenue funds and therefore not included in the General Fund table.

Fund balances for the fund are healthy with an anticipated increase of approximately \$20 million in the FY 2024-25 budget versus the FY 2023-24 budget. This fund balance increase is primarily due to the beginning fund balance for the FY 2024-25 budget being higher due to estimated spending being less than budgeted in FY 2023-24. Revenues are relatively consistent in this fund with slight increases across revenue streams except for the SacMetro Freeway Service Patrol. An area unique to this fund is the Capital Improvement Program, which is anticipated to spend approximately \$3.8 million more in the FY 2024-25 budget than the FY 2023-24 budget. The CIP typically budgets more than is spent due to a variety of project factors. The CIP is constrained by projected cash flows through the projection period. This positions the STA to fund projects as they are budgeted in the CIP.

Administration

Three staff members are tasked with overseeing the Measure A, SacMetro FSP, SAVSA, Neighborhood Shuttle, and Consolidated Transportation Services Agency (CTSA) programs. The Executive Director and Accounting Manager charge 94% and 96% of their time respectively administering the Measure A, Neighborhood Shuttle and CTSA programs, while the Special Programs Manager charges 81% of their time administering the SacMetro FSP and SAVSA programs based on actual hours in FY 2022-23. As such, each program pays its fair share of salaries, benefits, and overhead charges through a cost allocation process. Measure A limits administration funding to 0.75% of the net sales tax proceeds.

Administration funding is forecast to be about \$1.3 million, which is consistent with the previous three years. The fund balance is anticipated to decrease by approximately \$434,000, which is primarily due to the beginning fund balance budgeted in FY 2023-24 that does not account for the significant County of Sacramento Election Office expenditure in the amount of \$515,000 that was recorded in the FY 2022-23 year. The fund balance is healthy going into the budget year, with more than 100% of a year's revenues in the fund balance.

A priority of the STA staff in the Administrative fund is to fully fund the CalPERS Unfunded Accrued Liability (UAL) to reduce overall pension costs going forward as the budget allows. This effort is in its second year and savings based on current additional contributions, as calculated through February 2024, are \$501,746. Overall, this fund is in a stable financial position to carry out STA's operations in the budget year.

Sacramento Abandoned Vehicle Service Authority (SAVSA)

The Sacramento Abandoned Vehicle Service Authority (SAVSA) was created in 1991 to combat the growing number of abandoned vehicles on private and public property. SAVSA is funded by a \$1 vehicle registration fee collected by the California Department of Motor Vehicles (DMV). This program sunset in April 2022, ballot Measure C to continue the fee received a majority of the vote (57.7% voter approval) but failed to meet the two-thirds voter approval requirement. Given the benefits of the program over the last three decades, the Authority may consider placing tax measure on the ballot in a future election or can discontinue the program once it stops receiving delinquent payments.

In the budget year, staff are anticipating payout of the remaining fund balance to participating jurisdictions after the DMV fees cease. After the payout of the fund balance the fund and operating entity will be terminated.

SacMetro Freeway Service Patrol (FSP)

SacMetro FSP reduces freeway congestion by removing vehicles that are stalled or have been involved in a collision which accounts for more than half of all non-recurring freeway congestion. The program is a collaboration of the Authority, California Highway Patrol (CHP), and the California Department of Transportation (Caltrans). Funding is provided by state grants administered by Caltrans and a local grant administered by the Sacramento Area Council of Governments (SACOG) which allocates Capitol Valley Regional Service Authority for Freeways and Expressways (CVR-SAFE) funds.

Recently, the program has faced challenges including estimated fund deficits, prompting increased staff oversight and strategic adjustment. To address an anticipated negative fund balance in the 2023-24 budget year, an interfund loan from the Administrative Fund was approved by the Board at the February 8, 2024, meeting. Over FY 2023-24 staff have undertaken efforts to "right size" the service to enhance sustainable over the next three years. This includes exploring both the potential for increasing funding and the necessity to align services more closely with available financial resources.

Staff remain hopeful about ongoing discussions with funding agencies aimed at cultivating new funding sources. This proactive approach indicates a commitment to maintaining the efficacy of the SacMetro FSP while securing its financial viability for the future.

Transit Services

The Transit Services Fund reports two programs: the Neighborhood Shuttle, and the Consolidated Transportation Services Agency (CTSA). The Neighborhood Shuttle program funds the development of additional Neighborhood Shuttles throughout Sacramento County. The CTSA works to expand the availability and use of specialized transportation services. The program facilitates coordination of transportation needs of seniors, people with disabilities, and others.

The Neighborhood Shuttle program receives allocations totaling \$1 million annually. These funds are awarded by the Authority on a competitive basis to fund the development of additional Neighborhood Shuttles throughout Sacramento County with a focus on development or expansion of shuttle routes in residential and commercial areas that have no—or infrequent—transit service connecting them to the light rail system and to bus routes on major arterials. The Authority is under contract with Paratransit and the Sacramento Regional Transit (SacRT) through June 2026 for Cycle 2.

The fund balance is anticipated to decline by approximately \$2 million, primarily due to the CTSA program fund balance being fully spent. Staff anticipate paying out the interest earned in the CTSA program over the ordinance's lifecycle in FY 2024-25, proportionately between Paratransit and Sacramento Regional Transit.

The Final Budget will be presented for adoption during the June 13th Board meeting.

Attachment

1. The Draft Sacramento Transportation Authority FY 2024-25 Budget are available at the Sacramento Transportation Authority office and online at: <https://www.sacta.org/budget>
2. Resolution Adopting the STA Budget for Fiscal Year 2024-25