



SAN JOAQUIN COUNCIL OF GOVERNMENTS

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March 29, 2019

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AND

THE COUNTY OF SAN
JOAQUIN

Tim Ogden
City of Manteca
1001 W. Center Street
Manteca, CA 95337

Dear Mr. Ogden:

Enclosed is a summary of the San Joaquin Council of Governments' Annual Financial Plan (AFP) for Fiscal Year 2019/20. The Board adopted the Plan on March 28, 2019. A copy of the adopting resolution is enclosed. Pursuant to SJCOG's Joint Powers Agreement, following adoption of the budget by the SJCOG Board, it is to be delivered to member agencies for ratification by each governing body. Approval by governing bodies representing 55% or more of the county's population is considered ratification.

Therefore, SJCOG requests you place SJCOG's Annual Financial Plan for Fiscal Year 2019/20 on a forthcoming agenda prior to June 30, 2019 for approval.

The Annual Financial Plan implements the FY 2019/20 Overall Work Program (OWP) that was also adopted by the SJCOG Board on March 28, 2019.

The attached Annual Financial Plan (AFP) provides a detail of expenditures by cost category and line item comparing the proposed FY 2019/20 budgets with the current year (FY 2018/19) adopted budget, as most recently amended along with FY 2017/18 actual expenditures. The Annual Financial Plan represents the general fund budget for SJCOG. The revenues and expenditures in the AFP are the same as the Overall Work Program (OWP) presented in a traditional line item format compared to the work element format of the OWP.

The attached includes a summary of revenues and expenditures in the AFP and schedules detailing each of those categories (Revenues, Service and Supplies, Transportation, Training and Travel, Professional Services and Fixed/Capital Assets).

Readers should note several differences between SJCOG and member agency's budgets:

- SJCOG revenue sources are quite different from our member agencies. For example, Federal Highways Administration (FHWA) PL and Federal Transit Administration (FTA) 5303 funds are only available to Metropolitan Planning Organizations.
- SJCOG employs staff on an at-will basis vis-à-vis civil service and has its own employee handbook and policies.

- SJCOG has its own Financial and Accounting Policy guiding our financial matters including procurement procedures.
- As noted below, SJCOG offers a defined contribution retirement plan to its employees. SJCOG has no CalPERS or post employments benefit obligations except limited sick leave conversion as noted.

The following assumptions are incorporated in the budget:

1. Work will not begin, and expenses will not be incurred unless anticipated revenue sources are secured.
2. The AFP anticipates SJCOG to be fully staffed. The budget includes a 6% pool that can be drawn upon by the Executive Director for merit-based increases. The full impact of that pool is incorporated into the salary driven benefits (retirement, Medicare, disability).
3. SJCOG has no significant liability exposure for post-employment benefits.
 - a. The employee retirement program is a defined contribution program managed by the International City Managers Association Retirement Program.
 - b. SJCOG employee vacation accruals are capped at two times the individual's annual leave.
 - c. Upon retirement (50 years of age/20 years of SJCOG employment), an employee can convert accrued sick leave hours to pay for health care premiums until their sick leave account is exhausted and is based upon the employee's salary at retirement. There is no inflation factor in post-retirement years. Payout is limited to a maximum of one year's value of documented premium costs per year.

REVENUES

Compared to the current year amended AFP, SJCOG general fund operating revenues are proposed to increase from \$10,746,530 to \$10,789,687. Budgeted expenditures are \$10,789,687.

Overall, federal funding for general fund activities is 55.6%% lower than FY 2018/19 due to:

- Regional Surface Transportation Program (RSTP) reduced by \$1.4 million with those funds spent in FY 2018/19. RSTP was established by California State Statute utilizing federal Surface Transportation funds to promote flexibility in State and local transportation decisions to best address State and local transportation needs.
- Staff is not proposing to program any Federal Transit Administration (FTA) carryover therefore FTA carryover is lower by \$100,000.
- There are slight increases in Federal Highways Administration (FHWA) planning funds (PL) and FTA MPO planning funds (5303).

State funding sources are \$1,618,007 higher or 44.92% due to:

- \$1,000,000 in Senate Bill 1 funding (The Road Repair and Accountability Act of 2017) for both FY 18/19 and FY 19/20 expanded Freeway Service Patrol funding.
- \$ 983,048 for both FY 18/19 and FY 19/20 I-205 Freeway Service Patrol funding.
- There is \$200,000 less in State Transportation Improvement Program (STIP) (A list of transportation projects, chosen from those proposed by regional transportation agencies and Caltrans that are approved for state funding by the **California Transportation Commission**) Planning and Programming due to redirecting directly to project development. It will return next fiscal year.

- \$220,000 of draw down has occurred on two years of Sustainable Planning Grants offset by a FY 19-20 allocation of \$353,812.
- \$250,000 Caltrans for the next two years that will be passed through to California Councils of Governments (CALCOG) for the California Regional Leadership programs and to organize 2 or 3 workshops related to the implementation of the California Transportation Plan

Local revenues are higher by \$117,878 or 2.72% due to increased sales tax-based revenues.

EXPENDITURES

Salaries and Benefits are proposed to increase by 1.35% \$4,406,539 to \$4,466,831 when compared to the FY 18/19 amended budget. The primary reason for the increase is due to an increase in medical and dental premiums. The budget includes a 6% pool for merit-based raises. The salary-driven benefits adjust accordingly.

Services and Supplies is proposed to be increase slightly by 3.73% \$1,208,700 to \$1,255,470 due to increase in Building Maintenance and utilities, increase in property and liability insurance premiums and SJCOG Building Debt Service Principal and Interest due to rising interest rates.

Transportation, travel and training is proposed to remain the same as the past two years.

Professional Services is decreasing 1.31%% from \$4,935,791 to \$4,871,886 reflecting the decrease in the Regional Transportation Plan (RTP) and Sustainable Communities Strategy (SCS) Implementation FY 17/18 grant work elements.

- A SCS is an enhanced land use element, developed as part of each Regional Transportation Plan (RTP) update. It sets forth a growth strategy for the region, which combined with the transportation plan, strives towards achieving GHG emissions reductions.
- RTP-A 20-year plan prepared by **Regional Transportation Planning Agencies** to guide the development of a balanced transportation system within a county. State and federal law requires the plan to be update every 4 years.

Fixed Assets/capital remains the same as the previous year at \$195,000.

SJCOG staff would be pleased to appear before your policymakers to answer any questions they might have regarding this matter. **We request ratification prior to June 30, 2019.** Please let me know when this will be on your agenda. If you have any questions regarding this matter, don't hesitate to contact me at 235-0600.

Thank you for your assistance.

Sincerely,

STEVE DIAL

Deputy Executive Director/Chief Financial Officer