



APRIL 11, 2019

AGENDA ITEM # 8

PROPOSED BUDGET FOR FISCAL YEAR 2019-20

Action Requested: Open Public Hearing and Continue to May 9

Key Staff: Timothy Jones, Chief Financial Officer

Recommendation

Open the public hearing on the proposed budget and continue the item to May 9.

Discussion

The law requires the Authority to adopt an annual budget. The budget process starts at the staff level in January with internal discussions and analysis and continues in February and March 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 May.

Attached are the financial tables for the Proposed FY 2019-20 Budget. The remaining budget information, which is text and statistical information, will be presented in a complete document in May. These tables represent revenue, appropriations, other financing sources and uses, and fund balances for each program and fund. The following bullet points highlight the significant changes to the budget for FY 2019-20, which are based on a comparison to the adopted FY 2018-19 budget.

Consolidated Budget General Fund, SAVSA, and Debt Service

- General Fund revenues overall are forecast to increase by \$5.8 million consisting of increases in sales tax revenue (\$2.4 million), SCTMFP Fees (\$1 million), interest and other income (\$2 million), and SacMetro FSP allocations (\$400,000).
 - Sales tax revenue is projected to increase by a modest 1.86%. According to our revenue forecasting consultant, most of the increase is attributed to the requirement that out-of-state retailers collect and remit sales tax beginning April 2019.
 - SCTMFP remittances are expected to be robust in FY 2019-20 as construction in Sacramento County, and in particular the City of Sacramento, continues at a healthy pace.
 - Interest and other income will increase substantially as the remittances from bond interest rate swap partners accelerates because of increased interest rates.

- General Fund appropriations are expected to decrease by \$18.9 million overall. This can be explained primarily by Capital Improvement Program (CIP) appropriations decreasing by \$21.4 million offset by increased ongoing Measure A allocations of \$1.9 million.
 - Decreases in appropriations are expected by all capital program partners in FY 2019-20 as many projects have been delayed because construction bids came in higher than engineers had estimated. In response, agencies have changed the scope of work in some cases, identified additional funding in others, or rebid them hoping for more competitive pricing.
 - The Measure A allocations are passed through formulaically, so as sales tax revenue increases so do the allocations.
- Transfers out, which is the amount appropriated for debt service, are expected to increase by \$1.3 million in FY 2019-20. The increase is due to increased interest rates and series 2012 bond principal costs, in addition to the timing of transfers to the debt service fund.
- Fund reserve balances increased for the CIP and administration funds. The proposed CIP reserve is \$1.8 million and for administration \$200,000. The budget should be planned without the use of reserves, as these balances are for economic uncertainties. These amounts are based on the Government Finance Officers Association (GFOA) guidelines.
- Fund balance under the proposed budget is expected to increase \$29.1 million to \$35.7 million in FY 2019-20 when compared to the FY 2018-19 Budget.

Sacramento Countywide Transportation Mitigation Fee Program (SCTMFP)

- The SCTMFP is an important pay-as-you-go funding source for the CIP program.
 - Revenue is expected to increase by \$1 million in FY 2019-20 in comparison to the FY 2018-19 budget. The increase is attributed to expected robust construction activity, in particular, in the City of Sacramento.
 - Appropriations for FY 2019-20 are expected to be \$15 million, which is consistent with the FY 2018-19 budget.

Administration Budget

- The sales tax revenue allocation is expected increase \$17,000 since sales tax revenue is forecast to increase about 1.8%.
- Appropriations for FY 2019-20 are expected to decrease overall by \$81,000 when compared to the FY 2018-19 budget. The cause is that budgeted appropriations for professional services in FY 2018-19 for the outreach and education consultant were delayed until FY 2019-20.
- The fund reserve balance for economic uncertainties will increase by \$100,000 to \$200,000 in FY 2019-20 when compared to the budget for FY 2018-19. This reserve amount is consistent with Government Finance Officers Association (GFOA) guidelines.

Sacramento Abandoned Vehicle Service Authority (SAVSA)

- Revenue and appropriations are materially consistent in the FY 2019-20 and FY 2018-19 budgets.

SacMetro Freeway Service Patrol (FSP)

- Revenue from state allocations is expected to increase by \$401,000 as SB1 allocations increase by \$211,000 and increased local funding of \$190,000 is expected from the Capital Valley Regional Service Authority for Freeways and Expressways (CVR-SAFE) administered by SACOG.
- Appropriations for contractors are expected to increase by \$656,000 as increased hourly rates under new contracts become effective during FY 2019-20.

Debt Service

- Interest payments are expected to increase \$1.7 million. This year staff changed the methodology for calculating interest costs for budgeting purposes. In prior years, the interest income from STA's swap partners was netted against the interest charges paid by the agency, reducing the appropriation amount. This year, revenue from STA's swap partners is reported as interest income in the General Fund.
- Transfers in are expected to increase \$1.3 million in FY 2019-20 for the same reason as above and the timing of transfers from the General Fund to pay debt service.

Capital Improvement Program (CIP)

- Overall appropriations are expected to decrease by \$21.4 million. This can be explained by all agencies in the program expecting to spend far more in FY 2018-19 than they did. The FY 2018-19 budget includes \$47.2 million in planned spending but estimated actual spending is about \$13.8 million. Therefore, the large decrease is caused by overstated budgets in FY 2018-19.
- Caltrans appropriations are expected to decrease by \$2.2 million. Spending for the I-5 project was delayed because bids came in higher than the engineers estimated. However, the project went out for bid again and a contractor was awarded the project. Construction is expected to start in the Summer of 2019
- The Capital SouthEast Connector's appropriations for FY 2019-20 decreased by \$3.785 million because the agency is constrained by the remaining spending authority in its contract with the STA.

- Rancho Cordova's appropriations are expected to decrease by about \$3 million because Phases IV and V of the Folsom Boulevard Improvement project from Bradshaw Road to Sunrise Boulevard were spread out over two years instead of being completed in one year.
- The City of Sacramento's appropriations are expected to decrease by \$9.6 million in FY 2019-20 because the planned relocation of the light rail station currently located at the Intermodal Station will be delayed since bids for the streetcar project, which the relocation was a part of, came in much higher than expected.
- Sacramento County's appropriations are expected to decrease by \$2.8 million. Some construction planned for FY 2018-19 was delayed for various reasons, but over the next several fiscal years will ramp up.

The Final Budget will be presented during the May Board meeting.

Attachments