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and
THE COUNTY OF SAN
JOAQUIN

SAN JOAQUIN COUNCIL OF GOVERNMENTS

555 E. Weber Avenue • Stockton, California 95202 • P 209.235.0600 • F 209.235.0438 • www.sjcog.org

March 31, 2025

Steve Colangelo
City of Stockton
425 N. El Dorado
Stockton, CA 95202

Dear Mr. Colangelo:

On March 27, 2025 the SJCOG Board adopted the Annual Financial Plan for FY 2025-26. Attached is the board staff report as well as a copy of the adopting resolution. 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 a majority of the 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 FY 2025-26 on a forthcoming consent agenda prior to June 30, 2025, for ratification.

The Annual Financial Plan implements the FY 2025-26 Overall Work Program (OWP) that was also adopted by the SJCOG Board on March 27, 2025.

The attached excerpt of the Annual Financial Plan (AFP) provides a summary of revenues and expenditures by cost category and line item comparing the approved FY 2025-26 budgets with the current year (FY 2024-25) adopted budget, as most recently amended, along with FY 2023-24 actual expenditures. Revenues and expenditures total **\$55,267,077.00**. The approved AFP represents the general fund budget for SJCOG. The revenues and expenditures in the AFP are the same as the Overall Work Program (OWP), however, presented in a traditional line-item format compared to the work element format of the OWP.

Readers should note several differences between SJCOG and its member agencies' budgets:

- SJCOG revenue sources are quite different from our member agencies.
- 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.
- SJCOG employees are exempted from Social Security except for Medicare.
- 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 7.5 % pool that can be drawn upon for merit-based increases and potential promotions. 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 (Mission Square Retirement).
 - b. SJCOG employee vacation accruals are capped at two times the individual's annual leave.
 - c. Upon separation with 50 years of age or 20 years of SJCOG employment, an employee can convert accrued sick leave hours to be deposited into a Retirement Health Savings Account to pay for health-related expenses. The conversion is based upon the employee's salary at retirement.

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, 2025.** 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 (209) 235-0454.

Thank you for your assistance.

Sincerely,

DocuSigned by:

Grace Orosco

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GRACE OROSCO

Interim Deputy Director of Finance & Administration

Attachments:

FY 2025-26 Annual Financial Plan Board Summary

FY 2025-26 Annual Financial Plan Staff Report

R-2025-24



**San Joaquin Council of Governments
ANNUAL FINANCIAL PLAN
Fiscal Year 2024/25**

Proposed Final March 27, 2025

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San Joaquin Regional Transit District

Port of Stockton

SUBMITTED BY:

**Diane Nguyen
Executive Director**

**Grace Orosco
Interim Deputy Director of Finance and Administration**

San Joaquin Council of Governments
ANNUAL FINANCIAL PLAN
Fiscal Year 2025/2026
Proposed Final March 27, 2025

REVENUES	FY 2023-24 Actual	FY 2024-25 Amendment #4	FY 2025-26 Proposed Final	+/- Change	+/- % Change
Federal Grants	3,849,138	31,308,903	30,187,954	(1,120,949)	-3.58%
State Grants	5,307,886	21,242,553	15,686,997	(5,555,556)	-26.15%
Local	6,741,738	8,163,438	9,292,126	1,128,688	13.83%
Interest	113,574	20,000	40,000	20,000	100.00%
Other	56,140	60,000	60,000	-	0.00%
SJCOG OPERATING REVENUE	16,068,475	60,794,894	55,267,077	(5,527,817)	-9.09%
EXPENDITURES					
Salaries & Benefits	5,681,144	6,944,063	7,137,261	193,198	2.78%
Services & Supplies	1,418,632	1,572,500	1,666,500	94,000	5.98%
Office Expense	303,491	367,000	367,000	-	0.00%
Communications	60,225	60,000	60,000	-	0.00%
Memberships	41,733	45,000	45,000	-	0.00%
Maintenance - Equipment	5,413	10,000	10,000	-	0.00%
Rents & Leases - Equipment	66,642	131,000	131,000	-	0.00%
Transportation, Travel & Training (In & Out of State)	205,943	223,000	233,000	10,000	4.48%
Publications & Legal Notices	7,102	7,500	7,500	-	0.00%
Insurance	257,549	258,000	278,000	20,000	7.75%
Building Operations & Maintenance	337,156	271,000	335,000	64,000	23.62%
SJCOG Building Debt Service Principal and Interest	133,377	200,000	200,000	-	0.00%
Professional Services	8,465,101	50,997,831	45,412,816	(5,585,015)	-10.95%
Professional Services (Staff Augmentation)	86,870	900,000	600,000	(300,000)	-33.33%
Capital Outlay	465,846	380,500	450,500	70,000	18.40%
Unallocated/Reserve					
SJCOG OPERATING EXPENDITURES	16,117,592.19	60,794,894	55,267,077	(5,527,817)	-9.09%

March 2025
SJCOG Board

STAFF REPORT

SUBJECT: FY 2025-2026 Proposed Annual Financial Plan (AFP)

RECOMMENDED ACTION: Adopt Resolution 2025-24 Approving the FY 2025-2026 Annual Financial Plan

The attached proposed Annual Financial Plan (AFP) provides a detail of revenues and expenditures by cost category and line item. The proposal compares the FY 2025-2026 budget with the most recently adopted FY 2024-2025 AFP. In addition, it compares the proposal to the FY 2023-2024 actual expenditures. The total revenues and expenditures amount to **\$55,267,077**. The proposed AFP represents the general fund budget for SJCOG. The revenues and expenditures in the AFP are the same as the Overall Work Program (OWP), however, presented in a traditional line-item format compared to the work element format of the OWP.

Below is a summary of revenues and expenditures in the AFP. For details on each of those categories please refer to the attachment.

Readers should note several differences between SJCOG and its member agencies' budgets:

- SJCOG revenue sources are quite different from our member agencies.
- 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.
- SJCOG employees are exempted from Social Security except for Medicare.
- As noted below, SJCOG offers a defined contribution retirement plan to its employees. SJCOG has no CalPERS or other post employments benefit obligations except limited sick leave conversion as noted.

Upon adoption by the board, pursuant to the SJCOG Joint Powers Agreement, the AFP will be sent to the member agencies for ratification. Ratification is achieved when a majority of the member agencies representing 55% of the county population approve the AFP.

The following assumptions are incorporated in the budget:

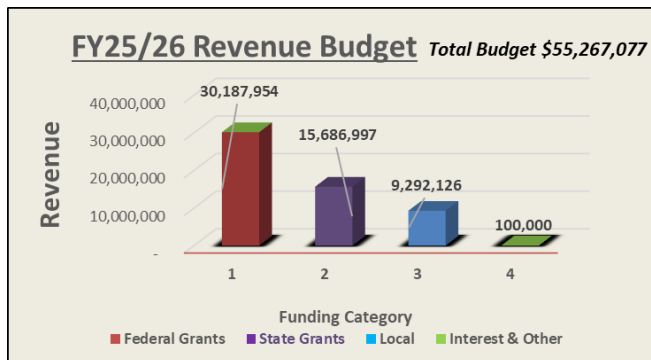
1. Work will not begin, and expenses will not be incurred unless anticipated revenue sources are secured.
2. The budget includes a longevity incentive program to attract and maintain an experienced and knowledgeable workforce. In addition, long-term staff can reach

their maximum salary and only receive cost of living adjustments annually. The incentive is structured to recognize and reward the length of staff's tenure. The longevity pay targets will be 10, 15 and 20 years (of continuous service), with an increase in base salary of 1%, 2% and 3% respectively. Currently, this benefit will apply to ten (10) noncontract employees and the estimated financial impact for FY 2025-2026 is \$34,815.00. *This longevity pay does not apply to the contract position of the Executive Director.*

3. The budget includes a pool equaling 7.5% of current salaries that can be drawn upon for merit-based increases and potential promotions. The full impact of that pool is incorporated into the salary-driven benefits (retirement, Medicare, disability).
4. SJCOG has no significant liability exposure for post-employment benefits.
 - a. The employee retirement program is a defined contribution program managed by Mission Square Retirement, formerly the International City Managers Association Retirement Program.
 - b. SJCOG employee vacation accruals are capped at two times the individual's annual leave.
 - c. Upon separation, an employee can convert accrued sick leave hours to be deposited into a Retirement Health Savings Account to pay for health-related expenses, with the qualification of being 50 years of age or 20 years of SJCOG employment. The conversion is based upon the employee's salary at retirement and alleviates SJCOG of any further liability.

REVENUES

Compared to the current year amended AFP, SJCOG general fund operating revenues are proposed to decrease from \$60,794,894 to \$55,267,077, a decrease of \$5,527,817



Federal funding for general fund activities is \$30,187,954 which is 3.58% lower than FY 2024-2025 primarily due to the consumption of FTA 5304 pass through funds and drawdown of Congestion Management Air Quality grant

State funding sources are budgeted at \$15,686,997 or 26.15% lower primarily due to:

- \$1,890,378 drawdown on REAP 2.0
- Consumption of \$2,424,106 from the state grant for Sustainable Transportation Equity Project (STEP).
- \$515,207 drawdown on Regional Climate Collaborative grant.
- \$1,119,158 drawdown on prior year's Freeway Service Patrol funding.

- \$1,067,489 is available for FY 2025-2026 future years of Freeway Service Patrol funding.
- \$468,637 drawdown has occurred on three years of Senate Bill 1 (SB1) Sustainable Transportation Planning Grants offset by a FY 2025-2026 allocation of \$353,501.

Local revenues are primarily higher by \$1,128,688 or 13.83% due to the annual allocation of Measure K for dibs program.

EXPENDITURES

Salaries and Benefits are anticipated to increase by \$193,198 or 2.78%.

The budget will increase from \$6,944,063 to \$7,137,261 compared to the FY 2024-2025 amended budget. It includes \$34,815 for longevity pay and \$319,630 or 7.5% of total salaries pool for merit-based raises. The salary-driven benefits adjust accordingly.

Services and Supplies are proposed to increase by \$84,000.

Liability insurance is increasing by \$20,000 due to increased premiums. Building maintenance is increasing by \$64,000 due to increased utilities, inclusion of the 3rd floor, security upgrades, and vandalism repairs.

Transportation, Travel, and Training increase by \$10,000.

With several new board members and new employees, more training expenses are expected. This budget has increased by \$10,000 up from \$223,000 to \$233,000. This will help to support such activities to represent SJCOG at regional, state, and national conferences and events where SJCOG is a member such as California Councils of Governments, San Joaquin Valley Policy Council, and the Self Help Coalition..

Professional Services and Staff Augmentation will decrease by \$5,885,015 from FY 2024-2025 \$51,897,831 to \$46,012,816.

There are consumptions of various grants and new funding sources, which directly correlate to professional services. For example, the prior years' SB-1 Sustainable Communities grants used \$475,106 and we are budgeting the new SB-1 allocation of \$350,000. The I-205 Managed Lanes Widening project consumed \$366,057, and we drew down on \$106,355 of SB 125. The Sustainable Transportation Equity Project (STEP) consumed \$2,424,106. The San Joaquin Regional Climate Collaborative used \$515,207 while the Regional Early Action Plan (REAP 1.0) and (REAP 2.0) expended \$1,990,986.

Position Classification and Salary Schedule

Per board policy, the salary ranges at both the minimum and maximum levels and are adjusted by the CPI change of 2.9606%.

FISCAL IMPACT

All revenues from the AFP are secured and available. The Annual Financial Plan is required to be adopted by the Board of Directors prior to April 1 each year and

disseminated to the member agencies for ratification. The Annual Financial Plan is the traditional line-item budget identifying estimated revenues and expenditures for the fiscal year. The Annual Financial Plan is complementary to the Overall Work Program.

RECOMMENDATION

That the Board adopt Resolution 2025-24 approving the FY 2025-2026 Annual Financial Plan.

Prepared by: Grace Orosco, Interim Deputy Director of Finance & Administration, and Lynnetta Castle, Interim Manager of Finance



**RESOLUTION
SAN JOAQUIN COUNCIL OF GOVERNMENTS**

R-2025-24

**RESOLUTION APPROVING THE ADOPTION OF THE 2025-2026
ANNUAL FINANCIAL PLAN
FOR THE SAN JOAQUIN COUNCIL OF GOVERNMENTS**

WHEREAS, the San Joaquin Council of Governments is required by the Joint Powers Agreement to adopt a budget (Annual Financial Plan) annually, and

WHEREAS, the adopted budget is to be sent to the member agencies for ratification.

NOW THEREFORE BE IT RESOLVED, that the San Joaquin Council of Governments adopts the FY 2025-2026 Annual Financial Plan and directs the Executive Director to transmit it to the member agencies for ratification.

PASSED AND ADOPTED this 27th day of March 2025 by the following vote of the San Joaquin Council of Governments, to wit:

AYES: Mayor Arriola, Lathrop; Councilmember Craig, Lodi; Supervisor Dhaliwal, SJ County; Supervisor Ding, SJ County; Councilmember Engle, Escalon; Mayor Fugazi, Stockton; Councilmember Enriquez, Stockton; Councilmember Ponce, Stockton; Supervisor Rickman, SJ County; Mayor Singh, Manteca; Mayor Su, Mountain House; Councilmember Zuber, Ripon

NOES:

ABSENT: Mayor Akinjo, Lathrop

A handwritten signature in blue ink, appearing to read 'Paul Akinjo', is written over a horizontal line. Below the line, the text 'Paul Akinjo, Chair' is printed in a black, sans-serif font.

Paul Akinjo, Chair