



SAN JOAQUIN COUNCIL OF GOVERNMENTS

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April 2, 2024

Harry Black
City of Stockton
425 N El Dorado St.
Stockton, CA 95202

David Bellinger
CHAIR

Diane Lazard
VICE-CHAIR

Diane Nguyen
EXECUTIVE DIRECTOR

Member Agencies
CITIES OF
ESCALON,
LATHROP,
LODI,
MANTECA,
RIPON,
STOCKTON,
TRACY,
AND
THE COUNTY OF SAN
JOAQUIN

Dear Mr. Black:

On March 28, 2024 the SJCOG Board adopted the Annual Financial Plan for FY 2024-25. 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 2024-25 on a forthcoming agenda prior to June 30, 2024, for ratification.

The Annual Financial Plan implements the FY 2024-25 Overall Work Program (OWP) that was also adopted by the SJCOG Board on March 28, 2024.

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 2024-25 budgets with the current year (FY 2023-24) adopted budget, as most recently amended, along with FY 2022-23 actual expenditures. Revenues and expenditures total **\$48,303,601.00**. 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 7.00 % 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, 2024.** 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) 235-0584.

Thank you for your assistance.

Sincerely,

DocuSigned by:

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STEVE DIAL

Deputy Executive Director/Chief Financial Officer

Attachments:

R-24-24

FY 2024-25 Annual Financial Plan Staff Report

FY 2024-25 Annual Financial Plan Board Summary



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

Final March 28, 2024

CHAIR

Mayor David Bellinger, City of Escalon

VICE-CHAIR

Councilmember Diane Lazard, City of Lathrop

BOARD OF DIRECTORS

**Mayor Lisa Craig
Mayor Gary Singh
Mayor Kevin J. Lincoln II
Vice Mayor Kimberly Warmsley
Councilmember Michael Blower
Supervisor Miguel Villapudua
Supervisor Steven Ding
Supervisor Robert Rickman
Mayor Nancy Young
Mayor Leo Zuber**

**City of Lodi
City of Manteca
City of Stockton
City of Stockton
City of Stockton
County of San Joaquin
County of San Joaquin
County of San Joaquin
City of Tracy
City of Ripon**

EX OFFICIO DIRECTORS

**Grace Magsayo, Director
Gary Giovanetti, Director
William R. Trezza, Commissioner**

**Caltrans District 10
San Joaquin Regional Transit District
Port of Stockton**

SUBMITTED BY:

**Diane Nguyen
Executive Director**

**Steve Dial
Deputy Executive Director/
Chief Financial Officer**

San Joaquin Council of Governments
ANNUAL FINANCIAL PLAN
Fiscal Year 2024/2025
Adopted Final March 28, 2024

	FY2022-23 Actual	FY 2023-24 Amendment # 3	FY 2024-25 Adopted Final	+/- Change	+/- % Change
REVENUES					
Federal Grants	4,351,352	9,703,559	22,768,271	13,064,712.00	134.64%
State Grants	5,290,133	23,257,962	17,269,242	(5,988,720.40)	-25.75%
Local	6,459,552	7,371,221	8,186,088	814,867.00	11.05%
Interest	65,347	20,000	20,000	-	0.00%
Other	113,454	79,600	60,000	(19,600.00)	-24.62%
SJCOG OPERATING REVENUE	16,279,838	40,432,342.40	48,303,601.0	7,871,258.60	19.47%
EXPENDITURES					
Salaries & Benefits	4,910,403	6,281,809.00	6,944,063.00	662,254.00	10.54%
Services & Supplies	1,336,555	1,338,500.00	1,572,500	234,000.00	17.48%
Office Expense	375,730	338,000.00	367,000	29,000.00	8.58%
Communications	58,394	60,000.00	60,000	-	0.00%
Memberships	42,395	45,000.00	45,000	-	0.00%
Maintenance - Equipment	4,859	10,000.00	10,000	-	0.00%
Rents & Leases - Equipment	70,424	131,000.00	131,000	-	0.00%
Transportation, Travel & Training (In & Out of State)	212,295	125,000.00	223,000	98,000.00	78.40%
Publications & Legal Notices	3,929	7,500.00	7,500	-	0.00%
Insurance	204,781	205,000.00	258,000	53,000.00	25.85%
Building Operations & Maintenance	270,868	217,000.00	271,000	54,000.00	24.88%
SJCOG Building Debt Service Principal and Interest	92,880	200,000.00	200,000	-	0.00%
Professional Services	9,171,078	32,431,533.40	39,406,538.00	6,975,004.60	21.51%
Capital Outlay	2,010,716	380,500.00	380,500	-	0.00%
Unallocated/Reserve					
SJCOG OPERATING EXPENDITURES	17,428,751	40,432,342.40	48,303,601.0	7,871,258.60	19.47%

March 2024
SJCOG Board

STAFF REPORT

SUBJECT: FY 2024-2025 Proposed Annual
Financial Plan (AFP)

RECOMMENDED ACTION: That the Board Adopt Resolution 24-24
Approving the FY 2024-2025 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 2024-2025 budget with the most recently adopted FY 2023-2024 AFP. In addition, it compares the proposal to the FY 2022-2023 actual expenditures. The total revenues and expenditures amount to **\$48,303,601.00**. 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.

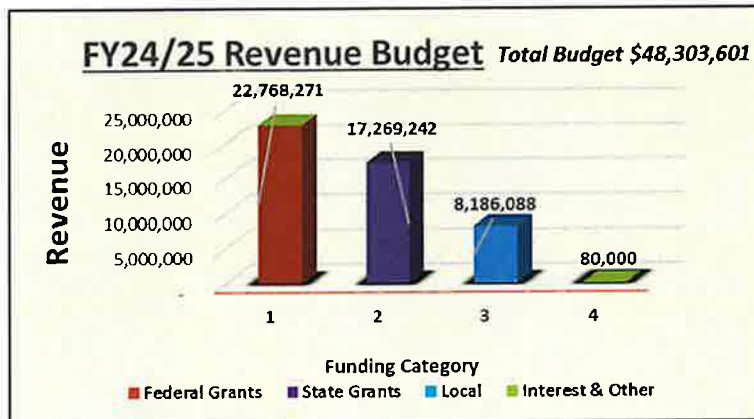
The following assumptions are incorporated in the budget:

1. Work will not begin, and expenses will not be incurred unless anticipated revenue sources are secured.

2. The position of Deputy Director of Finance & Administration is being added to the classification table under group B. This position is being created to backfill the Deputy Executive Director/Chief Financial Officer position once it becomes vacant.
3. The position of Manager of Administration has been vacant for two years and SJCOG does not intend to fill it in the future; therefore, this position is being removed from the classification chart. To meet the evolving needs of SJCOG, the position of Assistant Office Administrator to support the administrative functions of the office is being created. This position will have different responsibilities and a lower pay grade compared to the Manager of Administration. This position is being added with the concurrent elimination of an Administrative Technician position that was left vacant in the last quarter of FY 2024.
4. The budget includes a new 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 staffs' 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 eight (8) noncontract employees and the estimated financial impact for FY 2024-2025 is \$29,158.00. *This longevity pay does not apply to the contract position of the Executive Director.*
5. The budget includes a pool equaling 7% 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).
6. 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 increase from \$40,432,342.40 to \$48,303,601.00, an increase of \$7,871,258.60



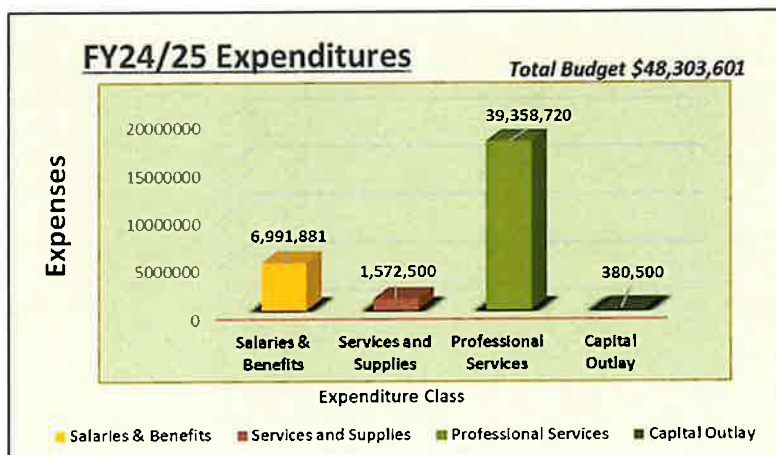
Federal funding for general fund activities is \$22,768,271 or 134.64% higher than FY 2023-24 primarily due to a \$15,000,000 Charging and Fueling Infrastructure grant.

State funding sources are \$17,269,242.00 or 25.75% lower primarily due to:

- \$1,224,892 drawdown on Regional Early Action Planning (REAP) 1.0
- \$493,526 drawdown on REAP 2.0
- Consumption of \$2,368,883.78 from the state grant for Sustainable Transportation Equity Project (STEP).
- \$950,000 drawdown on Regional Climate Collaborative grant.
- \$787,571 drawdown on Clean Mobility Options grant.
- \$1,338,147.75 drawdown on prior year's Freeway Service Patrol funding.
- \$1,084,044 is available for FY 24-25 future years of Freeway Service Patrol funding.
- \$264,199.75 drawdown has occurred on three years of Senate Bill 1 (SB1) Sustainable Transportation Planning Grants offset by a FY 24-25 allocation of \$355,000.
- \$290,544.12 drawdown on prior year's State Transportation Improvement Program (STIP) for planning offset by FY 24-25 allocation of \$290,000.

Local revenues are higher by \$814,867 or 11.05% due to increased sales tax receipts on Local Transportation Fund by \$96,018, Measure K by \$605,849, Sacramento Association of Governments of \$200,000, offset by an \$87,000 decrease in donations.

EXPENDITURES



Salaries and Benefits are anticipated to increase by \$662,254 or 10.54% from \$6,281,809 to \$6,944,063 compared to the FY 23-24 amended budget. The budget includes the removal of the Manager of Administration position and the addition of the position of Assistant Office Administrator (to replace a recently vacant Administrative Technician

position so there are no changes to overall staffing numbers). The new position is at a lower pay grade than that of the Manager. It also includes \$29,158.00 for longevity pay and \$343,863.00 or 7.0% of total salaries pool for merit-based raises. The salary-driven benefits adjust accordingly.

Services and Supplies are proposed to increase by \$136,000.

Computer software, supplies, postage, and licensing is increasing by \$29,000 to support both a return to the office, working remotely and heightened cybersecurity. Liability insurance is increasing by \$53,000 due to increased premiums. Building maintenance is increasing by \$54,000 due to increased utilities, security upgrades, and vandalism repairs.

Transportation, Travel, and Training increase by \$98,000.

With several new board members and new employees, more training expenses are expected. This budget has increased by \$98,000 up to \$223,000. This will help to support such activities as the annual One Voice® trip.

Professional Services – Increases \$6,975,004.60 from FY 23-24 \$32,431,533.40 to \$39,406,538.00.

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 \$222,530.00 and we are budgeting the new SB-1 allocation of \$355,000.00. The I-205 Managed Lanes Widening project consumed \$1,800,000.00 and we are budgeting \$12,452,108.00 for the Clean Fuels Infrastructure project. The Sustainable Transportation Equity Project (STEP) has consumed \$2,168,883.00 and the CMO Voucher is program drew down by \$510,566.00. The San Joaquin Regional Climate Collaborative used \$850,000.00 while the Regional Early Action Plan (REAP 1.0) expended \$909,892.00.

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.

FISCAL IMPACT

All revenues in 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 24-24 approving the FY 2024-25 Annual Financial Plan.

Prepared by: Steve Dial, Deputy Executive Director/CFO, and Grace Orosco, Manager of Finance



RESOLUTION
SAN JOAQUIN COUNCIL OF GOVERNMENTS

R-24-24

RESOLUTION APPROVING THE ADOPTION OF THE 2024-2025
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 2024-2025 Annual Financial Plan and directs the Executive Director to transmit it to the member agencies for ratification.

PASSED AND ADOPTED this 28th day of March 2024 by the following vote of the San Joaquin Council of Governments, to wit:

AYES: Mayor Bellinger, Escalon; Councilmember Blower, Stockton; Mayor Craig, Lodi; Supervisor Ding, SJ County; Mayor Lincoln, Stockton; Supervisor Rickman, SJ County; Mayor Singh, Manteca; Supervisor Villapudua, SJ County; Vice Mayor Warmsley, Stockton; Mayor Young, Tracy; Mayor Zuber, Ripon.

NOES: None.

ABSENT: Councilmember Lazard, Lathrop.



DAVID BELLINGER
Chair