REPORT

DATE: March 6, 2008

TO: Administration Committee and Regional Council

FROM: Wayne Moore, Chief Financial Officer, moore@scag.ca.gov, (213) 236-1804

SUBJECT: Approval of the Fiscal Year (FY) 2008-2009 Comprehensive Budget

EXECUTIVE DIRECTOR'S APPROVAL:

RECOMMENDED ACTIONS:

1. Approve the FY 2008-2009 Comprehensive Budget and Resolution 08-495-1(attached) authorizing this action and submittal for approval. The budget contains the following components: the Draft Overall Work Plan, the General Fund Budget, the Indirect Cost Budget and the Fringe Benefits Budget; and
2. Authorize the release of the Draft Overall Work Program (OWP) and the Indirect Cost Allocation Plan (ICAP) to Caltrans and other funding agencies as necessary for approval, initiate a 30-day public comment period and transmit the General Fund Budget to the General Assembly.

SUMMARY:

SCAG is required by federal and state law to develop the OWP and the Indirect Cost Budget. These budgets must be submitted to Caltrans for review and approval before any dollars can be expended by SCAG. In order to assemble all of the budget components into one document and satisfy the requirements of Caltrans and SCAG's bylaws regarding adoption of an annual budget, SCAG staff has developed a comprehensive budget document for the FY 2008-2009 that contains the following components: the General Fund Budget, the Draft OWP, the Indirect Cost Budget, and the Fringe Benefits Budget. Approval of this comprehensive budget and transmittal of required sections to Caltrans and the General Assembly will allow SCAG to be able to start projects and spend funds effective July 1, 2008. If the comprehensive budget is not approved, SCAG's projects and programs will stop effective June 30, 2008.

In recent years, SCAG has increased staffing and project commitments to one of the highest levels in its history. In terms of staffing, SCAG's staff level three years ago was 25% lower than it is today. In short, the organization has seen a dramatic increase in both SCAG staffing and financial commitments since the completion of the 2004 RTP. As part of our on going efforts to improve upon our delivery of services, we are making a concerted effort to concentrate our resources upon our legally mandated transportation planning activities and other activities such as Compass Blueprint and the Regional Comprehensive Plans. You will note that our proposed budget emphasizes these core activities and functions.

In addition to our focused efforts, this budget also recognizes the current economic downturn confronting all levels of government, whether local, state or federal. As a result of this downturn, it is anticipated that public monies that were available in years past, such as grants from the State Compass Blueprint Program, will be significantly reduced or otherwise unavailable to SCAG in the future. It is our intent to present a fundamentally sound, realistic budget that considers this reality.

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In light of this, and in preparation for the 2008/2009 fiscal year budget, SCAG's management has determined that it is necessary to scale back staffing and project commitments that are not mandated, and to focus our priorities on our core mission.

There are four specific factors that have contributed to an approximately five million dollar reduction in the FY 08-09 budget compared to FY 07-08:

- As mentioned above, SCAG's commitments over the past few years have resulted in a significant increase in staffing levels and consultant work.
- SCAG's non-federal grant funding has been reduced by $3 million.
- SCAG's commitment to pre-fund its retiree health care benefit over five years increased agency costs by $1.67 million.
- SCAG's federal grant funds availability has decreased by $1 million.

These factors became evident during the development of the FY 08-09 budget and have presented difficult challenges for SCAG in maintaining the same level of commitment in the FY 08-09 for staffing and consultant levels. These factors require that in the coming year SCAG focus on core mandated activities and undertake significant reductions in consultant budgets for both SCAG and the Subregions. Additionally, there will be overall staffing reductions in the coming year. We will attempt to manage the reductions through attrition however other actions may be necessary.

We believe that such emphasis on core priorities and the recognition of the current economic circumstances compels SCAG to take these prudent actions. We strongly believe that these actions will place SCAG on sound financial ground and will insure that SCAG remains the nation's preeminent MPO and COG.

FISCAL IMPACT:

Approval of this document impacts all funding, projects and programs for FY 2008-2009.

Reviewed by:

Chief Financial Officer

RESOLUTION NUMBER 08-495-1
RESOLUTION OF THE SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS TO APPROVE AND ADOPT THE FISCAL YEAR 2008-2009 COMPREHENSIVE BUDGET

WHEREAS, the Southern California Association of Governments (SCAG) is the Metropolitan Planning Organization (MPO) for six counties: Los Angeles, Orange, San Bernardino, Riverside, Ventura and Imperial;

WHEREAS, SCAG has developed the Fiscal Year (FY) 2008-2009 Comprehensive Budget that includes the following budget components: the General Fund, Overall Work Program (OWP), Indirect Cost Budget (ICAP), and the Fringe Budget;

WHEREAS, the OWP is the basis for SCAG's annual activities;

WHEREAS, in conjunction with the Overall Work Program Agreement and Master Fund Transfer Agreement, the OWP constitutes the annual funding contract between the State of California Department of Transportation (Caltrans) and SCAG for Consolidated Planning Grant (CPG) funding; and,

NOW, THEREFORE, BE IT RESOLVED by the Regional Council of the Southern California Association of Governments, that the Regional Council does hereby approve and adopt the FY 2008-2009 Comprehensive Budget.

BE IT FURTHER RESOLVED THAT:

1. The Regional Council hereby authorizes submittal of SCAG's approved FY 2008-2009 Draft OWP to the participating State and Federal agencies;

2. The Regional Council hereby authorizes submittal of SCAG's approved FY 2008-2009 ICAP to the participating State and Federal agencies;

3. The Regional Council hereby authorizes release of SCAG's approved FY 2008-2009 Draft OWP for a thirty-day public comment period;

4. The Regional Council hereby authorizes submittal of SCAG's approved FY 2008-2009 General Fund budget to the General Assembly;

5. SCAG pledges to pay or secure in cash or services, or both, the matching funds necessary for financial assistance;

6. The SCAG Executive Director, or in his absence, the Chief Financial Officer, is hereby designated and authorized to submit the FY 2008-2009 OWP, and to execute all related agreements and documents on behalf of the Regional Council, to implement purposes of this Resolution;

7. The SCAG Executive Director, or in his absence, the Chief Financial Officer, is hereby authorized to make and submit to funding agencies, the necessary work program and budget modifications to the FY 2008-2009 OWP based on actual available funds, and to draw funds as necessary on a letter of credit or other requisition basis;

8. The Executive Director, or in his absence, the Chief Financial Officer, is hereby authorized to make administrative amendments to the FY 2008-2009 OWP, such as changing work elements or correcting errata.

APPROVED AND ADOPTED by a unanimous vote of the Regional Council of the Southern California Association of Governments at a regular meeting this 6th day of March, 2008.

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GARY OVITT
President
Supervisor, County of San Bernardino

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Hasan Ikhrata
Executive Director

Attest:

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Joe Burton
SCAG Chief Legal Counsel