

## Memorandum

**Date:** June 24, 2022

**To:** Governing Board  
San Francisco Bay Restoration Authority

**From:** Amy Hutzal, Executive Officer  
Derek Hansel, Treasurer of the Authority and Chief Financial Officer of the  
Metropolitan Transportation Commission

**Subject:** Adoption of Fiscal Year 2022-23 Project and Operating Budget

Staff requests Authority review and approval of Resolution 98 adopting the Fiscal Year (FY) 2022-23 Budget.

The budget is divided into two distinct programmatic areas, the Project-Based Budget and the Operating Budget. Basic assumptions going into the FY 2022-23 budget are:

- Measure AA special parcel tax revenue will be approximately \$25.8 million.
- An administrative fee (5% of the tax revenue) is transferred to the Operating Budget.
- The Operating Budget also includes \$204,000 in interest earnings.
- Staff costs consist of both MTC and Coastal Conservancy staff. MTC staff costs are proposed to increase by 6%, as more staff resources are dedicated to project support and for salary/benefit increases.
- Operating contingency is 5% of the administration fee for this year. Last year it was 10%.
- Project funding increases by \$24 million.
- No change in the Project Contingency budget.

The budget reflects the Authority's practice of allowing all committed funds, including grants and contracts, to be budgeted and carried forward without further Authority approval until the project is completed or cancelled. Uncommitted or unencumbered funds from a prior year are added to the estimated balance for the FY 2022-23 budget and made available for future programming.

## **Project-Based Budget**

The Measure AA special parcel tax is the main source of revenue for the Authority. The measure is a parcel tax of \$12 per year, raising approximately \$25 million annually for a total of twenty years.

Projects are budgeted on a Life-to-Date (LTD) budget basis, compared to operating expenditures that expire on June 30<sup>th</sup> of each year. The FY 2022-23 project budget is an addition to the current adopted budget through FY 2021-22. The process follows this procedure:

- Life-to-Date project budget through FY 2021-22 \$118.2 million
- Proposed new project funding in FY 2022-23 \$ 24.0 million
- Final adopted Life-to-Date budget through FY 2022-23 \$142.2 million

This process allows us to track the total authorized project budget on an individual project basis until completion, adjustment, or cancellation, without the need for constant budget amendments.

Project commitments for FY 2022-23 are \$12 million, with \$11.9 million remaining uncommitted. Project funding includes:

- South San Francisco Bay Shoreline Project \$11.4 million
- Community Grants Program \$ 0.6 million
- Unallocated Project Funding \$11.9 million

The life-to-date budgets for the South San Francisco Shoreline Project and Community Grants Program will increase to \$61.5 million and \$1.2 million, respectively. The remaining \$11.9 million in unallocated funding will be presented for approval at a later date. The FY 2022-23 proposed budget will bring total project funding to \$142.2 million, or 92% of the \$155.1 million collected through FY 2022-23.

The project contingency can be used across all approved projects to accommodate changes in project scope and priorities. Resolution 98 authorizes the Executive Officer to use the project contingency without further approval or budget amendment but only up to the extent of the total budgeted project contingency. The project contingency will remain at \$4.3 million. Under Resolution 28, the Executive Officer has delegated authority to increase project grant amounts by 15%, not to exceed \$100,000.

## **Operating Program**

Funding for Authority operations is provided by a 5% administrative fee taken from parcel tax revenue plus interest earnings on cash balances. The total available for the FY 2022-23 Operating Budget is \$1.5 million consisting of the \$1.3 million administrative fee and \$204,000 interest earnings.

The proposed operating expense for FY 2022-23 is approximately \$1.5 million, including a budgeted contingency of 5%. The major changes are:

- MTC Staff costs increase by \$27,250 (6%) for additional staff support for a growing number of projects and to account for salary/benefit increases
- Banking and Finance Fees decreased by \$143,900, due to less activity generating this expense.
- Operating contingency \$64,538 has decreased from 10% to 5% of Admin revenue. This is a \$64,538 decrease in contingency budgeted in FY2021-22.
- Consultant costs are budgeted \$25,000 higher than FY2021-22.

Resolution 98 authorizes the Executive Officer to modify the FY 2022-23 expenses shown in the Operating Budget without approval of a budget amendment, but only if expenses do not exceed the total approved budget. The proposed operating budget has a projected operating surplus of \$4,984.

**Recommendation:** Staff recommends approval of Resolution 98, *Adopting the FY 2022-23 Authority Budget*.