



Sacramento  
Area Flood  
Control  
Agency

ITEM 11

Agenda of March 18, 2010

**TO: Sacramento Area Flood Control Agency  
Board of Directors**

**FROM: Julie Lienert, Director of Administration  
(916) 874-8735**

**SUBJECT: RESOLUTION – APPROVING SAFCA DEVELOPMENT IMPACT FEE  
PROGRAM ADJUSTMENTS**

**OVERVIEW:**

SAFCA’s Development Impact Fee (DIF) Program was implemented on January 1, 2009; since that time, staff has identified several administrative actions which will streamline fee collections and improve administration of the Program.

**RECOMMENDATION:**

Adopt Resolution No. 2010-034 approving the following modifications to the Development Impact Fee (DIF) Program: 1) Revise the timing of annual inflationary cost adjustments of the DIF to coincide with the beginning of the Fiscal Year (July 1) rather than the calendar year (January 1) and make these annual adjustments automatic; 2) Implement a formal process for exempting elevated structures from the DIF; and 3) Perform audits of the DIF collections, and procedures and processes utilized by the respective Responsible agencies (City of Sacramento, County of Sacramento, and County of Sutter).

**MEASURES/EVALUATION:**

The success of the proposed adjustments will result in a savings of staff time required to administer the DIF Program and ensure that DIF revenues collected appropriately accrue to SAFCA.

**ENVIRONMENTAL IMPACT:**

None.

**BACKGROUND**

On May 15, 2008, the Board adopted Resolution No. 08-048 approving SAFCA’s Development Impact Fee (DIF) Program to augment existing funding sources for achieving at least a 200-year level of flood protection for the Sacramento Area by offsetting any increase in exposure to flood damages that might otherwise occur as new development occurs in the protected floodplain.

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Staff is requesting the Board approve Resolution No. 2010-034 providing for several adjustments to the DIF Program which will streamline fee collections and improve program administration.

### **DISCUSSION**

Since implementation of the DIF on January 1, 2009, staff has identified several programmatic adjustments which will streamline fee collections and improve administration of the program. Proposed adjustments include:

#### **Inflationary Cost Adjustment**

The approved DIF Program implementing Resolution No. 08-048 (Section 14) sets the annual inflationary cost adjustment of DIF rates as January 1, but the *SAFCA Development Fee Program Final Report, May 5, 2008* (Fee Report) states the date is July 1. Staff is proposing and the Responsible agencies have requested that the annual adjustment coincide with the beginning of the fiscal year, July 1, when most jurisdictions address annual updates to their fee programs.

In addition, the implementing resolution requires that the SAFCA Board to annually adopt the DIF inflationary cost adjustment by Resolution. Staff is proposing that an adjustment be made only when there is an increase in the Engineering News Record's Twenty Cities Construction Cost Index (ENR CCI), or a similar index in the event the ENR CCI is no longer available, from March of the most recent year to March of the prior year. The increase will be applied by multiplying the current DIF rates by the most recent March Index and then dividing this product by the prior year's March Index. The use of the March index has been chosen based upon the schedule for the availability of the Index from ENR and the use of this index by some of the collecting agencies in their DIF programs. This revision to the DIF Program will require notification of any increase to the Board in April, and a required 60-day notification to the Responsible agencies such that the increase can go into effect by July 1. Staff proposes any applicable adjustment be automatic and not require a resolution adopted by the Board. Annually, the Executive Director will update the Board in April of any increase in the DIF and will also notify the Responsible agencies by May 1 of any increase in the DIF consistent with the 60-day notification requirements of the Collection Agreements between SAFCA and the Responsible agencies.

#### **Exemption of Elevated Structures**

Staff is proposing a formal process for exempting improvements in the DIF Program area when SAFCA staff determines it can be demonstrated that the proposed structure's finished floor is above the 200-year floodplain elevation. This exemption is provided for in the Fee Report (Table 9). As noted in the Fee Report, the purpose of the DIF is to ensure that new development does not substantially increase the Expected Annual Damage (EAD) of an uncontrolled flood. The Fee Report describes EAD as a function of flood depth and accepts that raising a structure, while likely an inefficient solution to mitigating the impacts of increased EAD on a large scale, is a means for achieving no additional impact to EAD. As such, there is a need to revise the implementation procedures to incorporate a method by which projects can demonstrate that their finished floors are above the 200-Year floodplain elevation (at their location) and be exempted

from the requirement to pay the DIF. To date, this exemption has been examined on a case-by-case basis by SAFCA staff and a formal process will streamline implementation of this provision.

SAFCA's Collection Agreement with Sutter County already addresses this issue. As part of that agreement, there is condition that Sutter County will only collect the DIF as a condition of issuance of a building permit for any building, for which a building permit is required, located in the Program Area that has a finished floor elevation below 35.6 feet (National Geodetic Vertical Datum, 1929). This elevation was determined based upon a technical analysis prepared by MBK Engineers, dated October 23, 2008, analyzing the 200-year floodplain elevations for Natomas. For projects within the DIF Program area but outside of the Natomas Basin, inquiries regarding the required elevation of a structure in order to be exempted from the fee requirements have resulted in individual investigations by SAFCA staff to determine the 200-year floodplain elevation at the project's location. This has proven to be an inefficient method to resolve the issue.

In order to implement this exemption on a program-wide basis, the following tasks need to be completed:

- Develop maps and GIS data throughout the DIF Program area that show the contours of the 200-year floodplain elevations. This data will be used to check, for every applicable building permit issued, if the finished floor elevation of the structure is above or below the 200-year flood plain elevation. This will allow the applicant to determine if it is more efficient to elevate the subject structure above the 200-year floodplain elevation or pay the applicable DIF.
- Prepare documentation of new policies and procedures to implement the elevation exemption with the Responsible agencies. This includes updating the Administrative Procedures Manual, modifying Collection Agreements, and providing assistance to the Responsible agencies with implementation of the new policies and procedures. Within the next several months, staff will begin the process of engaging the City and County of Sacramento to modify their Collection Agreements, educate their staff on the issue, and develop a process for implementation.

#### **Audit of Collections, and Processes and Procedures**

In order to ensure that the DIF Program is being executed as intended, staff is proposing a process to engage the Responsible agencies to ensure that the DIF is being administered as set forth in the respective Collection Agreements. This process will include the following:

- A review of the current procedures (and administrative documentation) with the respective Responsible Agency staff responsible for fee calculation and collection;
- A review and update of the pending changes to the DIF Program, outlined within this memorandum;

- A review of the accounting and processing procedures for DIF monies collected and remitted to SAFCA; and
- A review of the procedures for tracking administrative costs associated with DIF collections by the Responsible agencies which are reimbursable by SAFCA.
- An audit of inception-to-date DIF collections by the Responsible agencies to ensure that processes and procedures previously implemented are being followed properly.

### **FINANCIAL IMPLICATIONS**

The proposed action will help assure that the DIF is fairly and efficiently administered and that revenues collected under the DIR appropriately accrue to SAFCA.

### **POLICY IMPLICATIONS**

The recommended program adjustments will streamline administration of the DIF Program and are consistent with the Board's previous actions to implement the program.

### **RECOMMENDATIONS**

Staff recommends the Board approve Resolution No. 2010-034 which provides for revising the timing of annual inflationary cost adjustments of the DIF from January 1 to July 1 and making these adjustments automatic; implementing a formal process for exempting elevated structures from the DIF; and auditing the DIF collections, as well as procedures and processes utilized by the Responsible agencies.

**RESOLUTION NO. 2010-034**

Adopted by the Sacramento Area Flood Control Agency

**APPROVING SAFCA DEVELOPMENT IMPACT FEE  
PROGRAM ADJUSTMENTS**

WHEREAS, Section 150, *et seq.* of the Sacramento Area Flood Control Agency Act (Water Code App. § 130-1 *et seq.*) (“SAFCA Act”) allows SAFCA to “prescribe, revise, and collect fees as a condition of the development of land” in the 200-year plain (“Program Area”) so as to provide an additional source of financing for the 200-year levee improvements and related flood risk reduction measures; and

WHEREAS, on May 15, 2008, the Board of Directors (“Board”) adopted Resolution No. 08-048 Establishing the Sacramento Area Flood Control Agency Development Impact Fee (“DIF”) which DIF was effective on January 1, 2009; and

WHEREAS, the DIF serves the following important policy objectives: (1) ensure that as new development occurs in the Program Area, the resulting increase in the amount of property exposed to damage in the event of an uncontrolled flood will be offset by a reduction in the risk of such an uncontrolled flood, thus avoiding any increase in expected annual damage, a key indicator of governmental liability; (2) reimburse SAFCA Consolidated Capital Assessment District funds advanced from other benefit zones in the Program Area for the 100-year early implementation project in the Natomas Basin; (3) help to secure State funding commitments for the early implementation project by providing a feasible plan for achieving 200-year flood protection in Natomas and the rest of the Program Area if further Federal authorizations are not forthcoming; and (4) improve SAFCA’s chances of securing authorizations for the remaining Federal share of the cost of the 200-year flood protection program by providing a strategy for managing the residual risk of damage in the Program Area as new development occurs over time, particularly in the Natomas Basin; and

WHEREAS, SAFCA staff has determined that there are several administrative measures that should be implemented to streamline the administration of the DIF Program.

NOW, THEREFORE, BE IT RESOLVED BY THE SACRAMENTO AREA FLOOD CONTROL AGENCY BOARD OF DIRECTORS, that the Board does hereby resolve determine and order as follows:

SECTION 1. Section 14 of Resolution No. 08-048 is deleted in its entirety.

SECTION 2. Commencing July 1, 2010, the DIF may be increased annually by the SAFCA Executive Director to reflect inflationary costs based on the ratio which the Engineering News Record’s Construction Cost Index (ENR, Twenty Cities) (or similar index selected by the Executive Director in the event the ENR, Twenty Cities is no longer available) for the preceding March bears to the prior year’s March index. The increase will be applied by multiplying the current DIF rates by the most recent March Index and then dividing this product by the prior



**Resolution No. 2010-034**  
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ABSTAIN: Directors:  
ABSENT: Directors: Cohn

(SEAL)

ATTEST:

  
Deputy Clerk of the Board of Directors

JLsc\DIF adjustment.rs

  
Chair of the Board of Directors of the  
Sacramento Area Flood Control Agency