

ITEM 5

Agenda of October 20, 2011

**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
ANNUAL INFLATIONARY ADJUSTMENT**

OVERVIEW:

SAFCA's Development Impact Fee (DIF) Program was approved by the Board on May 15, 2008 and implemented on January 1, 2009. On March 18, 2010, the Board approved Resolution No. 2010-034 providing for the DIF to be increased annually upon the Board's authorization. On May 20, 2010 the Board approved an annual inflationary adjustment of 1.61 percent by Resolution No. 2010-064.

RECOMMENDATION:

Staff recommends that the Board adopt Resolution No. 2011-127 approving an annual inflationary rate increase of 3.92 percent for each DIF land use category.

MEASURES/EVALUATION:

This is a discrete action and is not subject to long-term evaluation.

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 takes place in the protected floodplain. The DIF program was implemented on January 1, 2009.

DISCUSSION

The approved DIF Program implementing Resolution No. 08-048, as amended by Resolution No. 2010-034, and the *SAFCA Development Fee Program Final Report, May 5, 2008* provide for the SAFCA Board to annually adopt a DIF inflationary cost adjustment by Resolution. Adjustments are to 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 same index by some of the collecting agencies in their DIF programs.

Economic & Planning Systems Inc. (EPS) has performed an analysis and calculations associated with determining the annual inflationary increase for each land use category rate for the DIF (see Exhibit 1). Based upon the annual increase in the ENR CCI from March 2010 to March 2011, staff is proposing an increase of 3.92 percent. The fee rate increase will be effective 60 days after notification is made to the responsible agencies.

FINANCIAL IMPLICATIONS

The proposed action is consistent with the Board's intent to make inflationary adjustments as necessary when the DIF was adopted and implemented.

POLICY IMPLICATIONS

The recommended inflationary adjustment is consistent with the Board's previous actions to implement the program.

RECOMMENDATIONS

Staff recommends the Board approve Resolution No. 2011-127 which provides for an annual inflationary cost increase of 3.92 percent for the DIF.

RESOLUTION NO. 2011-127

Adopted by the Sacramento Area Flood Control Agency

APPROVING SAFCA DEVELOPMENT IMPACT FEE ANNUAL INFLATIONARY ADJUSTMENT

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, on March 18, 2010 the Board of Directors (“Board”) adopted Resolution No. 2010-034 providing for the DIF to be increased annually upon the Board’s authorization; and

WHEREAS, on May 20, 2010 the Board of Directors (“Board”) adopted Resolution No. 2010-064 providing for an annual inflationary adjustment of the DIF of 1.61 percent; and

WHEREAS, Economic & Planning Systems Inc. (EPS) has performed the calculations associated with determining the annual inflationary increase for each land use category rate for the DIF (Exhibit A) based upon the annual increase in the ENR CCI from March 2010 to March 2011; and

WHEREAS, based upon EPS’ analysis staff is proposing a fee increase of 3.92 percent for each land use category rate for SAFCA’s DIF. The fee rate increase will be effective 60 days after notification of the responsible agencies.

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:

The SAFCA Development Impact Fee shall be increased by 3.92 percent.

ON A MOTION BY Director _____, seconded by Director _____, the foregoing resolution was passed and adopted by the Board of Directors of the Sacramento Area Flood Control Agency, this 20th day of October 2011, by the following vote, to wit:

AYES: Directors:

NOES: Directors:

ABSTAIN: Directors:

ABSENT: Directors:

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

(SEAL)

ATTEST:

Clerk of the Board of Directors

DRAFT

**Table 1
Sacramento Area Flood Control Agency
DIF Annual Inflation Adjustment**

Effective Date of Revised Fee: xx/xx/xx

Item	Current Fee per Sq. Ft.	Annual Adjustment [1]				Revised Fee per Sq. Ft.
		Mar-10	Mar-11	Increase		
				Percent	Amount	
ENR-CCI (20 Cities)		8,671.07	9,010.80	3.92%		
LAND USE						
One-Story Residential						
Single-Family	\$1.82			3.92%	\$0.07	\$1.89
Multifamily	\$1.02			3.92%	\$0.04	\$1.06
Two-Story Residential						
Single-Family	\$1.75			3.92%	\$0.07	\$1.82
Multifamily	\$1.08			3.92%	\$0.04	\$1.12
Commercial	\$2.73			3.92%	\$0.11	\$2.84
Industrial	\$1.82			3.92%	\$0.07	\$1.89

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Source: Engineering News Record and EPS.

[1] Annual adjustment based on the annual change in the Engineering News Record 20-Cities Construction Cost Index from March to March. The fee will take effect no sooner than 60 days after notification to the agencies responsible for collecting the fee, with the earliest effective date being July 1 of the later year.