

ITEM 2

Agenda of June 21, 2012

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

**FROM: Julie Lienert, Director of Administration
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SUBJECT: RESOLUTION – APPROVING FINAL FISCAL YEAR 2012-13 BUDGET

OVERVIEW:

This item presents the final budget for Fiscal Year 2012-13 which reflects an aggressive approach to pursuing the Board’s policy of reducing the most severe flood risks in the Sacramento area as quickly as possible.

RECOMMENDATION:

Staff recommends that the Board adopt Resolution No. 2012-059 approving SAFCA’s FY 2012-13 Final Budget.

MEASURES/EVALUATION:

Not applicable.

FISCAL IMPACT:

The final budget anticipates \$108.49 million in expenditures to be funded by estimated prior year fund balances, estimated interest earnings, aid from local government, State aid, assessments, development impact fees, contributions, and bonds.

ENVIRONMENTAL IMPACT:

None.

BACKGROUND

The majority of the Fiscal Year 2012-13 expenditures is allocable to the Natomas Levee Improvement Program (NLIP) and will be funded principally through contributions to SAFCA from the California Department of Water Resources (DWR). The remainder of the budget covers SAFCA’s share of the cost of improving area levees along the Lower American River and the South Sacramento Streams Group (SSSG); continuing improvements to Folsom Dam; operating and maintaining area flood control facilities and related mitigation features; and carrying out the Agency’s planning and general administration activities.

The NLIP budget allocation for FY 2012-13 totals \$60.89 million and includes funding for design, environmental permitting, real estate acquisition, and construction of flood control improvements and environmental features along 5.3 miles of the Natomas Cross Canal (NCC) south levee and 12.5 miles of the Sacramento River east levee (SREL) from the NCC to Power Line Road. The budget anticipates that SAFCA will provide \$4.59 million of this total and DWR will provide \$56.3 million through reimbursements to SAFCA for prior NLIP expenditures and direct contributions under California's Floodsafe Program. The anticipated State funds have been appropriated by the Legislature, the State General Obligation Bonds authorized through those appropriations have been sold, and the allocation of bond proceeds needed for NLIP has been set aside by DWR. Timely reimbursement of SAFCA expenditures continues to be a concern. In the event of cash flow shortages due to delays in State reimbursements, SAFCA could rely temporarily on the proceeds of bond anticipation notes issued to SAFCA by the City of Sacramento (City) in 2011 and on reserves in the Operations and Maintenance (O&M) Fund.

The budget for flood control improvements within the Consolidated Capital Assessment District (CCAD) outside of Natomas totals \$37.0 million and reflects SAFCA's share of the estimated cost for the U.S. Army Corps of Engineers (USACE) to construct improvements to Folsom Dam and to the levees along the Lower American River, and the SSSG. The budget also includes funding for non-federal improvements along Unionhouse Creek in the South Sacramento area east of Franklin Boulevard and for possible land acquisition along Magpie Creek in the North Sacramento area.

The remainder of the budget, totaling \$10.5 million, covers SAFCA's contribution to the cost of preparing for the levy of Natomas Basin Local Assessment District assessments in FY 2013-14; operating and maintaining area levees and constructed environmental features; conducting evaluations of the levees outside Natomas along the Lower American and Sacramento Rivers and their tributaries in North Sacramento; managing the Development Impact Fee (DIF) program; and carrying out SAFCA's planning and general administration activities.

Once the final budget is adopted, the Board will be requested to set the FY 2012-13 assessment rates for the Operations & Maintenance Assessment District (O&M) and CCAD. The O&M rate will be a function of the adopted budget for O&M activities which assumes the FY 2012-13 rates will remain at current (2011-12) levels. The CCAD rates are based on the formula set forth in the Final Engineer's Report.

DISCUSSION

The project/work activities included in the \$108.49 million budget are discussed below. SAFCA's contribution to these activities will be funded by one of the following sources: the O&M Fund; the former North Area Local Project Assessment District (NALP) Fund; the CCAD Funds; and the Development Impact Fee Fund. The following discussion is organized around these funding sources.

Operation and Maintenance Assessment District (O&M) Fund: \$8.9 million

The budget for general administration, planning, and operations and maintenance activities for FY 2012-13 covers a wide range of expenditures as detailed below:

General Administration: \$4.8 million - This item covers SAFCA's general planning and administration costs, including advocacy and public outreach related to SAFCA's projects. Also included in this budget item are general legal services, liability insurance, assessment district administration, conferences and training, ongoing efforts to improve Agency data management, and those portions of SAFCA staff salaries which are not directly chargeable to project-specific accounts (i.e., Executive Director, Director of Planning, Director of Administration, Agency Counsel and administrative and accounting support staff), office rent and general office expenses. The budget also includes funding for the Executive Director to approve merit based increases to qualified SAFCA employees within SAFCA's existing salary ranges.

Operations and Maintenance Activities: \$1.56 million - This budget item includes a wide range of activities required to maintain completed facilities and mitigation sites in the north area of Sacramento (i.e. along the lower portion of Dry, Robla, Steelhead and Arcade Creeks) and along the American and Sacramento Rivers. SAFCA's floodplain management activities are also budgeted here. Project activities include:

Natomas East Main Drainage Canal (NEMDC) Storm Water Pumping Station: This item covers operations and maintenance costs associated with SAFCA's pumping station which was constructed in the NEMDC (aka Steelhead Creek) just upstream from the mouth of Dry Creek.

Habitat Mitigation Maintenance Activities: Under operation and maintenance agreements with the State Central Valley Flood Protection Board, SAFCA is responsible for the care and maintenance of re-vegetation plantings at several bank protection sites and off-site mitigation areas along the Lower American and Sacramento Rivers. SAFCA is also responsible for maintenance of the mitigation sites developed in connection with the NALP. The budget includes funds necessary to cover the costs of adaptively managing and monitoring these habitat mitigation sites as well as for invasive plant management.

Hayer Dam Diversion Facilities: This item covers operations and maintenance costs associated with the pump station and diversion facilities that were constructed as part of the Hayer Dam Site Renovation Project on Dry Creek. These costs will be mostly offset by operation and maintenance payments from the Bel Aqua Lake owners.

Flood Insurance Purchase: This item covers purchase of flood insurance through the National Flood Insurance Program (NFIP) for certain residents along C Street and Dry Creek Road in Rio Linda who, as a result of the NALP, have benefited from improvements that have lowered their susceptibility of flooding from events below the

250-year storm, but can experience increased flooding from Dry Creek and/or Rio Linda Creek from events greater than the 250-year storm.

This element also includes the purchase of flood insurance for residents within the Point Pleasant area as a result of strengthening the Beach Lake Levee as part of the SSSG program. The actual purchase of the insurance is administered by Sacramento County.

Flood Risk Awareness and Flood Insurance Outreach Activities: Outreach activities for flood risk and awareness has been assumed by the City and County of Sacramento and Sutter County, but SAFCA will continue to provide technical assistance to these agencies as they move through the Federal Emergency Management Agency (FEMA) floodplain remapping processes.

Interest Expense/Debt Service: \$403,000 - This item covers annual bond debt service payments on the Series 1996 Subordinated O&M Bonds.

Lower American River Work Plan: \$9,520 – This budget item covers SAFCA’s expenses related to providing ongoing facilitation and technical support services to the Lower American River Task Force (LARTF). The LARTF is an ongoing collaborative process first created by SAFCA in 1994 that meets on a quarterly basis. It was established to identify opportunities for improving existing flood control facilities and developing stream bank management strategies along the Lower American River while at the same time protecting and enhancing existing environmental and recreational resources in the American River Parkway. Representation on the LARTF includes 18 federal, State and local governmental agencies, 17 non-governmental stakeholders and three partnerships involved in coordinating flood control and resource management on the Lower American River.

Ueda Parkway Work Plan: \$136,324 - This item supports staff currently assisting the City of Sacramento with planning the next phases of the recreational trails along the Ueda Parkway, the Hansen Ranch Recreation Plan, a multipurpose trail within the Dry Creek floodplain, and developing a watershed management plan for Arcade Creek. The budget also includes funding for flood debris removal services in the Ueda Parkway secured through an agreement with the Rio Linda Elverta Recreation and Park District, and funding for Sacramento County Park Ranger services within the Ueda Parkway secured through an agreement with Sacramento County Parks. Funds for fencing improvements and land maintenance services along the Ueda Parkway are also budgeted under this item.

Dry Creek Parkway and Floodway: \$61,899 - This item funds ongoing elements of the Dry Creek Flood Protection Corridor Program including the maintenance and close out of the Hayer Dam Site Renovation and the Dry Creek Debris Levee Removal Projects.

Red Sesbania Removal: \$15,462 - This allocation will support staff time as well as grant administration and management activities related to the long-term eradication of the Red

Sesbania seed bank in the Dry Creek Watershed. SAFCA has partnered with several other agencies in Placer and Sacramento Counties to collectively fund this program.

Estimated Reserve Provision: \$1,927,472

North Area Local Project Assessment District (NALP) Fund: \$1.14 million

Although most levee improvements and floodplain land acquisitions have been completed, a series of obligations remain. These obligations include: resolving the final project configuration along C Street east of Dry Creek Road; completing miscellaneous NALP construction and floodplain restoration work; and completing real property acquisitions in the Dry Creek, Robla Creek and Magpie Creek Diversion Channel floodplains.

Consolidated Capital Assessment District (CCAD) Fund: \$97.95 million

This fund covers costs associated with implementation of capital improvement projects that are described in the CCAD Engineer's Report. Budgeted activities include:

American River Levee Improvements Project: \$1.9 million - This activity group includes all current construction, mitigation, and planning activities for currently authorized improvements to the American River levees, and includes costs for planning and engineering support to advance the American River Common Features General Re-evaluation Report. The FY 2012-13 Budget includes funds necessary to provide the local contribution for this work.

Folsom Dam Modifications Project: \$19.0 million - This project was approved by Congress as part of the Water Resources Development Act of 2007. It is part of the larger Joint Federal Project being implemented by the USACE and the U.S. Bureau of Reclamation (Reclamation) to address design deficiencies at Folsom Dam. The key feature of the project is a new control structure and auxiliary spillway that will enable the dam operators to meet federal dam safety standards and improve flood control operations. Reclamation has completed its portion of the improvements and the USACE is currently managing construction of the control structure and auxiliary spillway. The contract for constructing the auxiliary spillway was awarded in the fall of 2010. A second contract was awarded in 2011 for construction of the gated control structure that will release water to the new spillway. A third contract for construction of an approach channel connecting the control structure to Folsom Reservoir is expected to be awarded some time in 2013. All elements of the Joint Federal Project are scheduled to be completed in the fall of 2017. The President's FY 2013 budget includes \$86.7 million in federal appropriations to support ongoing project construction efforts. SAFCA's budget includes its share of the cost of this construction (\$14.0 million) plus \$4.8 million in the event the USACE can secure and additional \$30.0 million in federal funding. This item also includes funds to maintain the habitat mitigation features for this project located at Lower American River mile 11.5R.

Folsom Dam Bridge: \$15,433 - The budget anticipates a final payment to the City of Folsom associated with the final accounting of expenditures following receipt of an invoice from the City

of Folsom and some staff time to verify that our agreement with the City of Folsom has been fulfilled.

Natomas Levee Improvement Program: \$60.89 million - The Natomas Levee Improvement Program (NLIP) is heading into its fifth year of construction since 2007. During this period, SAFCA has completed more than half of the critical features of the project. By the end of FY 2012-13, SAFCA hopes to turn the remainder of the project over to the USACE to complete construction.

The budget assumes that SAFCA will receive the full amount of the \$71.0 million in State funding that has been appropriated by the Legislature for the State's share of the cost of the NLIP, and is being provided to SAFCA on a reimbursement basis. This funding will support the budgeted project expenditures of \$60.89 million in FY 2012-13. These expenditures include design, real estate acquisition and construction activities required to complete SAFCA's portion of the NLIP, which upon completion will include all of the Natomas Cross Canal South Levee (5.3 miles) and 12.5 miles along the Sacramento River east levee from the NCC to just past Power Line Road. The budget assumes that all remaining construction contracts associated with this work including mitigation features and reconstruction of Reclamation District No. 1000's (RD 1000) Pumping Plant 2 will be awarded and completed during FY 2012-13.

SAFCA is currently pursuing federal authorization of the NLIP, including provision for crediting the State and SAFCA for their contributions in excess of the non-federal share of the cost of the project. If this authorization is secured and NLIP construction proceeds as anticipated in the budget, SAFCA could receive up to \$67.0 million in federal credits that could be used to offset the Agency's required contributions to future phases of the NLIP, future work undertaken as part of the American River Common Features Project or future improvements to Folsom Dam.

Sacramento River Levee Improvements: \$102,783 - This item primarily includes staff time to participate in the Sacramento River Bank Protection Project planning meetings as well as engineering consultant time.

North Sacramento Streams Flood Control Improvements: \$4.7 million - The anticipated activities for this project include: coordination with the City of Sacramento related to planning and design for the Magpie Creek Diversion Channel Flood Control Project; review and coordination with the City of Sacramento and the American River Flood Control District on development projects along the Magpie Creek Diversion Channel; and coordination with DWR on their urban levee geotechnical investigations along Robla Creek, Arcade Creek and the Natomas East Main Drainage Canal (NEMDC) east levee. In addition to the above efforts, SAFCA's grant application to the State of California for the purchase of floodplain property along Magpie Creek has been accepted and the budget includes the local match for this grant.

South Sacramento Streams Group (SSSG) Project: \$3.15 million - The SSSG Project protects people and property along Morrison Creek and its tributaries. The majority of the project improvements have been completed downstream of Franklin Boulevard and has cleared the way

for removing the Pocket and Meadowview communities from the Federal Emergency Management Agency (FEMA) special flood hazard zone, making residents eligible for lower-cost flood insurance. Work is beginning in 2012 along the Union Pacific Rail Road (UPRR) floodwall west of Franklin Boulevard. The budget also includes funds to cover SAFCA's share of the cost of this work along with funds for environmental surveys, monitoring and maintaining Burrowing Owl mitigation sites.

Finally, SAFCA is working with the City of Sacramento to implement channel improvements along Unionhouse Creek east of Franklin Boulevard to Bruceville Road. This effort is expected to be cost shared by the City of Sacramento and SAFCA. SAFCA has also received a State of California grant to help offset the City's cost of the project. SAFCA's anticipated contribution is included in this line item.

Environmental Enhancements/System Operation and Maintenance: \$8.09 million - This budget item includes payments to RD 1000, American River Flood Control District and the City of Sacramento for maintaining the levee improvements constructed in connection with the CCAD; and developing and implementing a levee and floodway encroachment control and remediation program; SAFCA's levee accreditation effort and SAFCA's contribution for the California Levee Vegetation Research Program. This item also includes costs for maintaining the environmental features associated with levee improvements along the American and Sacramento Rivers as well as for environmental compliance and consulting services.

Development Impact Fee Fund: \$268,449

This fund covers costs for services related to administration of the Development Impact Fee Program, including annual Reclamation District 1600 assessments, Yolo County taxes and flood insurance premiums associated with the Elkhorn Basin.

Estimated Reserve Provision: \$221,449

Natomas Basin Local Assessment District (NBLAD) Fund: \$214,128

This item will fund engineering services necessary to prepare for the levy of NBLAD assessments in FY 2013-14.

FINANCIAL IMPLICATIONS

The budget anticipates that the following funds will be used to finance the budgeted expenditures for FY 2012-13:

Estimated prior year fund balances:

- O&M Fund: \$2.58 million
- NALP Capital Fund: \$787,126
- CCAD Fund: \$4.58 million

- DIF Fund: \$63,449
- NBLAD Fund: \$209,128

Estimated interest earnings:

- O&M Fund: \$20,000
- NALP Capital Fund: \$45,000
- CCAD Fund: \$310,000
- DIF Fund: \$5,000
- NBLAD Fund: \$5,000

Aid from Local Government: \$1.75 million

Aid from State Government: \$62.67 million

Assessments:

- O&M Fund: \$6.3 million
- CCAD Fund: \$4.0 million

Development Impact Fees: \$200,000

Bond Proceeds (Series 2012): \$24.9 million

Contributions: \$6,500

Miscellaneous Revenue: \$1,800

POLICY IMPLICATIONS

The FY 2012-13 Final Budget reflects an aggressive approach to pursuing the Board's policy of reducing the most severe flood risks in the Sacramento area as quickly as possible by leveraging available local, State and federal funds. The majority of the budgeted expenditures consist of local and State funds that will be used to rapidly address the most significant deficiencies in the perimeter levee system protecting the Natomas Basin through phased implementation of the NLP. It is assumed that the constructed improvements will be authorized by the federal government and federal credits will be afforded to allow these early non-federal investments to offset required non-federal contributions to improvements subsequently undertaken by the USACE. This strategy relies on timely receipt of appropriated State funds and action by the federal government. The Final Budget assumes these conditions will be met. If they are not, the budget's anticipated reductions in flood risk around the Natomas Basin and other floodplain areas within SAFCA's jurisdiction will not be fully realized.

RECOMMENDATIONS

Staff recommends that the Board adopt Resolution No. 2012-059 approving the FY 2012-13 Final Budget.

