

ITEM 4

Agenda of June 20, 2013

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

**FROM: Richard M. Johnson, Executive Director
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SUBJECT: RESOLUTION - ADOPTING FINAL FISCAL YEAR 2013-14 BUDGET

OVERVIEW:

This item presents the final budget for Fiscal Year 2013-14 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. 2013-043 approving SAFCA's FY 2013-14 Final Budget.

MEASURES/EVALUATION:

Not applicable.

FISCAL IMPACT:

The final budget anticipates \$85.28 million in expenditures to be funded by estimated prior year fund balances and interest earnings, aid from local government, State aid, assessments, estimated development impact fees and fund balance reserve releases.

ENVIRONMENTAL IMPACT:

Not applicable.

BACKGROUND

The Final Fiscal Year 2013-14 Budget covers SAFCA's costs to complete the non-Federal phase of the Natomas Levee Improvement Program (NLIP); improve area levees along the Lower American River (LAR); initiate the last phase of construction for the South Sacramento Streams Group (SSSG) Project; continue ongoing improvements to Folsom Dam; operate and maintain area flood control facilities and related mitigation features; and carry out the Agency's planning and general administration activities.

The NLIP budget allocation for FY 2013-14 totals \$31.2 million and includes funding for closing out Sacramento River east levee construction contracts; finalizing reimbursement payments for utility pole relocation costs; completing real estate acquisition proceedings; and fulfilling NLIP environmental permit conditions by planting, establishing and providing for the long-term maintenance of required mitigation features. The budget anticipates that SAFCA will receive approximately \$37.6 million in reimbursements for these purposes from the California Department of Water Resources (DWR). These reimbursements will fully fund the State's share of SAFCA's NLIP expenditures through FY 2013-14. 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. However, timely reimbursement of SAFCA expenditures continues to be a concern. In the event of cash flow shortages due to extended timeframes in State reimbursements, SAFCA may temporarily rely on proceeds of SAFCA's Bond Anticipation Notes, which were purchased by the City of Sacramento in 2011.

The budget for flood control improvements within the Consolidated Capital Assessment District (CCAD) outside of Natomas totals \$39.7 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; the levees along the LAR; and initiate the Florin Creek channel improvements in the South Sacramento area. The budget also includes funding for non-Federal improvements along the LAR (creation of fish and wildlife habitat at River Mile 0.5); Magpie Creek in the North Sacramento area (acquisition of floodplain land near Raley Boulevard); and Florin Creek in the South Sacramento area (construction of a detention basin just west of Highway 99). These actions will be funded largely through State grants and will complement Federal efforts to reduce flood risks in these areas. The Florin Creek Project will contribute to removing several hundred homes from the FEMA 100-year floodplain.

The remainder of the budget covers SAFCA's contribution to the cost of preparing for the levy of Natomas Basin Local Assessment District (NBLAD) assessments in FY 2013-14; operating and maintaining area levees and environmental features; responding to anticipated deficiencies in the levee systems along the Lower Sacramento River in the Pocket area and Arcade Creek in North Sacramento; managing the Development Impact Fee (DIF) Program; and carrying out SAFCA's planning and general administration activities, including debt financing.

At next month's meeting, the Board will be requested to set the FY 2013-14 assessment rates for the CCAD, NBLAD and O&M Assessment Districts based upon the adopted final budget. The O&M rate will be a function of the adopted budget for O&M activities, which assumes the FY 2013-14 rates will remain at current (FY 2012-13) levels. The CCAD and NBLAD rates are based on the formulas set forth in the Final Engineer's Reports approved in connection with the formation of these assessment districts. Available fund balances and interest earnings included in the budget financing sources are estimated. Therefore, final totals will vary from the amounts shown. Although the Board will formally adopt the budget as presented herein, the Final Budget Schedule transmitted to the County Auditor will be prepared to reflect actual results of operations

for the fiscal year ending June 30, 2013 after year-end closing and final fund balance information is available.

DISCUSSION

The project/work activities included in the Agency's FY 2013-14 \$85.28 million budget are discussed below. SAFCA's contribution to these activities will be funded by one of the following sources: the O&M Assessment District Fund; the former NALP Assessment District Fund; the CCAD Fund; the NBLAD Fund; and the Development Impact Fee Fund. The following discussion is organized around these funding sources.

Operation and Maintenance Assessment District (O&M) Fund: \$9.76 million

The budget for general administration, planning, and operations and maintenance activities for FY 2013-14 covers a wide range of expenditures as detailed below:

General Administration: \$5.99 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, those portions of SAFCA staff salaries which are not directly chargeable to project-specific accounts (predominantly the Executive Director, the Director of Administration, and administrative and accounting support staff), office rent and general office expenses. The budget also includes funding for the Board to consider and pursue a self-administration plan for the Agency for personnel services while retaining comparable health, welfare and retirement benefits of existing SAFCA positions; and gives the Board full authority to define SAFCA's employee administrative policies, salaries, and benefits based solely on SAFCA's unique needs and resources. A change to the current agreement with the City of Sacramento is required prior to December 31, 2013.

Operations and Maintenance Activities: \$2.59 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 Natomas East Main Drainage Canal (NEMDC) (aka Steelhead Creek) just upstream from the mouth of Dry Creek.

Habitat Mitigation Maintenance Activities: Under operation and maintenance agreements with the Central Valley Flood Protection Board, SAFCA is responsible for the care and maintenance of mitigation featured 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.

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 funding 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 this insurance is administered by Sacramento County.

Dry Creek Floodway: This item covers environmental services and engineering support services related to construction of fencing and destruction and modification of groundwater wells in the lower Dry Creek floodway.

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: \$24,372 - This budget item covers SAFCA's contribution to administering the Lower American River Task Force (LARTF). First created in 1994, the LARTF meets on a quarterly basis to identify opportunities for improving existing flood control facilities and developing stream bank management strategies along the LAR while at the same time protecting and enhancing existing environmental and recreational resources in the American River Parkway. For FY 2013-14, the Sacramento Water Forum has agreed to provide half the administrative costs of the LARTF with the understanding that it will serve as a forum for reviewing issues relevant to implementing the Water Forum agreement.

Ueda Parkway Work Plan: \$158,797 - This item supports 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.

Dry Creek Parkway: \$25,232 - This item funds ongoing maintenance of SAFCA-owned properties in the Lower Dry Creek Floodway.

Red Sesbania Removal: \$569,177 - This allocation will cover SAFCA's staff time and costs for administering and managing the initial year of a long term (five-year) project for the eradication of Red Sesbania in the NEMDC and tributary watersheds. This effort will build on the expertise and institutional partnerships developed by SAFCA in prior eradication campaigns and will result in a significant reduction in roughness values and a corresponding lowering of anticipated water surface elevations during large flood events in the NEMDC. The project is dependent on reaching agreement with DWR to reimburse SAFCA for the Agency's (non-staff) costs.

Consolidated Capital Assessment District (CCAD) Fund: \$71.3 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: \$6.19 million - This item covers SAFCA's share of the cost of all construction, mitigation, and planning activities associated with the currently authorized (WRDA 1996 and 1999) American River Common Features (ARCF) Project. These activities include improvements to the levees along the American River as well as planning and engineering support to advance the ARCF General Re-evaluation Report being prepared by USACE.

River Mile 0.5 Project (\$2.9 million): This project involves creation of fish and wildlife habitat along the north bank of the American River, upstream of the Interstate 5 overcrossing, at River Mile 0.5. The created habitat will fulfill a commitment made by SAFCA in 2004 as part of the Agency's agreement with the USBR to extend the current variable storage operation at Folsom Dam. The project will also provide mitigation for impacts incurred as part of the non-Federal phase of the NLIP due to construction of drainage outfall facilities along the waterside of the Garden Highway levee. Finally, material excavated as part of the project will be hauled out of the American River Parkway and used to buttress the landside slope of the Garden Highway levee in the Natomas area near the Interstate 880 overcrossing of the Sacramento River. This will reduce the risk of levee under seepage at this site pending completion of the Federal phase of the NLIP during which USACE will incorporate the stockpiled material into the final design of this levee segment. Most of SAFCA's costs for the project will be reimbursed by DWR through a grant secured as part of the Regional Water Authority's Integrated Regional Water Management Program for the Sacramento area.

Folsom Dam Modifications Project: \$13.2 million - This item covers SAFCA's share of the cost of the authorized (WRDA 2007) Joint Federal Project being implemented by the USACE and the U.S. Bureau of Reclamation (USBR) to address dam safety 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. The USBR has completed its portion of the improvements and the USACE is currently managing construction of the control structure and auxiliary spillway. The initial 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 into the new spillway. A third contract for construction of an approach channel connecting the control structure to Folsom Reservoir was awarded in May 2013. All elements of the Joint Federal Project are scheduled to be completed in the Fall of 2017.

Folsom Dam Bridge: \$15,441 - 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: \$31.6 million - This item covers SAFCA's costs for completing the non-Federal phase of the Natomas Levee Improvement Program (NLIP) which commenced construction in 2007. During this phase, SAFCA has completed more than half of the critical features of the project. The budget for FY 2013-14 includes funding for closing out Sacramento River east levee (SREL) construction contracts; finalizing reimbursement payments for utility pole relocation costs; completing real estate acquisition proceedings; and fulfilling NLIP environmental permit conditions by planting, establishing and providing for the long-term maintenance of required mitigation features. The budget anticipates that SAFCA will receive approximately \$37.6 million in reimbursements from DWR for these purposes. These reimbursements will fully fund the State's share of SAFCA's NLIP expenditures through FY 2013-14. 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. However, timely reimbursement of SAFCA expenditures continues to be a concern. In the event of cash flow shortages due to extended timeframes in State reimbursements, SAFCA may temporarily rely on proceeds of SAFCA's Bond Anticipation Notes which were purchased by the City of Sacramento in 2011.

SAFCA is currently pursuing Federal authorization of the NLIP, including provisions 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, SAFCA could receive up to \$67.0 million in Federal credits that could be used to offset the Agency's required contribution 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: \$73,011 - 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: \$4.76 million - This item covers SAFCA's cost for acquiring approximately 48 acres of land in the Magpie Creek floodplain near Raley Boulevard. This land will provide overflow storage capacity for flood waters in the creek that could otherwise overtop containment facilities and contribute to flooding residential and commercial structures west of Raley Boulevard. DWR has approved a grant to SAFCA to cover

all of the Agency's (non-staff) costs associated with this land acquisition. However, SAFCA's acquisition of the property is dependent upon a clean report of a current hazardous materials investigation of the property.

South Sacramento Streams Group (SSSG) Project: \$5.18 million - This item covers SAFCA's share of the cost of completing the authorized (WRDA 1999) SSSG Project protecting people and property along Morrison Creek and its tributaries. The work to be completed consists of channel improvements along Florin Creek east of Franklin Boulevard (to be undertaken by USACE) and construction (by SAFCA) of a detention basin adjacent to the creek on park land owned by the Southgate Park District just west of Highway 99. Most of SAFCA's planning; design and construction costs for the detention basin will be reimbursed by a DWR grant and direct payments from the City of Sacramento and the County of Sacramento. The channel improvements and constructed detention basin will allow several hundred homes along Florin Creek to be removed from the FEMA 100-year floodplain.

Environmental Enhancements/System Operation and Maintenance: \$10.28 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 a small continuing contribution to the California Levee Vegetation Research Program, now being administered by DWR. This item also includes costs for maintaining the environmental features associated with CCAD levee improvements along the American and Sacramento Rivers as well as for environmental compliance and consulting services.

Development Impact Fee Fund: \$492,904

This fund covers costs for services related to ongoing administration of the Development Impact Fee Program, including payment of annual Reclamation District 1600 assessments, Yolo County taxes and flood insurance premiums associated with SAFCA's agreement with the Sacramento Valley Conservancy on preserving agricultural lands in the Elkhorn Basin.

Estimated Fund Balance Reserve Provision: \$440,904

Natomas Basin Local Assessment District (NBLAD) Fund: \$2.86 million

This item will fund engineering services necessary to prepare the tax roll and levy the NBLAD assessments in FY 2013-14 as well as a reserve provision. These assessments were approved to be levied in FY 2013-14 by Natomas property owners in 2011 and will cover SAFCA's share of NLIP cost increases that have occurred since the creation of the CCAD in 2007.

FINANCIAL IMPLICATIONS

The budget anticipates that the following funds will be utilized to finance the final \$85.28 million budgeted expenditures for FY 2013-14:

Estimated prior year fund balances:

- O&M Fund: \$1.26 million
- NALP Capital Fund: \$766,323
- CCAD Fund: (\$4.9) million
- DIF Fund: \$287,904
- NBLAD Fund: \$166,732

Estimated interest earnings:

- O&M Fund: \$20,000
- NALP Capital Fund: \$45,000
- CCAD Fund: \$310,000
- DIF Fund: \$5,000
- NBLAD Fund: \$2,000

Aid from Local Government: \$300,000

Aid from State Government: \$46.3 million

Assessments:

- O&M Fund: \$6.3 million
- CCAD Fund: \$4.0 million
- NBLAD Fund: \$2.7 million

Development Impact Fees: \$200,000

Estimated Fund Balance Reserve Release: \$27.5 million

POLICY IMPLICATIONS

The Final FY 2013-14 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 budgeted expenditures include local and State funds focused on addressing the most significant deficiencies in the perimeter levee system protecting the Natomas Basin, through phased implementation of the NLIP. 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. The budgeted expenditures also include SAFCA's contributions to ongoing Federal projects to modify Folsom Dam, improve the levees along the LAR, and initiate channel improvements along Florin Creek in the South Sacramento area; and to a series of smaller non-Federal projects that will be funded largely by State grants. Finally, the budgeted expenditures include funds for SAFCA to complete

its evaluation of the levee systems outside Natomas and develop plans for responding to deficiencies in these systems that may be identified through this evaluation.

RECOMMENDATION

Staff recommends that the Board adopt Resolution No. 2013-043 approving the FY 2013-14 Final Budget.

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Attachment(s)