

ITEM 12

Agenda of June 18, 2015

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

**FROM: Richard M. Johnson, Executive Director
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SUBJECT: RESOLUTION - APPROVING FINAL FISCAL YEAR 2015-16 BUDGET

OVERVIEW:

This item presents the final budget proposal for FY 2015-16 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 adoption of Resolution No. 2015-071 approving SAFCA's FY 2015-16 Final Budget.

MEASURES/EVALUATION:

Not applicable.

FISCAL IMPACT:

The final budget anticipates \$87.08 million in expenditures to be funded by estimated prior year fund balances, aid from local government, State aid, bond proceeds, assessments, development impact fees and a fund balance reserve release.

ENVIRONMENTAL IMPACT:

Not applicable.

BACKGROUND

The FY 2015-16 budget proposal has been finalized and includes SAFCA's costs to continue close out of the non-Federal phase of the Natomas Levee Improvement Program (NLIP) and continue efforts on the Federal portion of Natomas; improve area levees along the Lower American River (LAR); continue with 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 (see Attachment 1 to this report for proposed to final budget analysis).

The NLIP budget includes funding for continuing to close out Sacramento River East Levee construction contracts; processing 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 habitat mitigation features. The budget also includes costs to continue the efforts on the Federal phase of the program, with the U.S. Army Corps of Engineers (USACE) as lead.

The budget for flood control improvements within the Consolidated Capital Assessment District (CCAD) outside of Natomas reflects SAFCA's share of the estimated cost for the USACE to construct Federal project improvements to Folsom Dam; improving the levees along the lower American River (LAR); and continuing with 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); and Florin Creek Multi-use Basin 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 they will complement Federal efforts to reduce flood risks in these areas. The Florin Creek Multi-use Basin 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 operating and maintaining area levees and environmental features; responding to anticipated deficiencies in the levee systems along the Lower Sacramento River (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.

Once the final budget is approved, the Board will be requested to set the FY 2015-16 assessment rates for the CCAD, Natomas Basin Local Assessment District (NBLAD) and Operation and Maintenance (O&M) Assessment Districts. The O&M rate will be a function of the adopted budget for O&M activities, which assumes the FY 2015-16 rates will remain at current (FY 2014-15) levels. The CCAD and NBLAD rates are based on the formulas set forth in the respective Final Engineer's Reports approved in connection with the formation of the assessment districts.

DISCUSSION

The project/work activities included in the Agency's final FY 2015-16 budget proposal of \$87.08 million is discussed below and shown in Attachments A-F. SAFCA's contribution to these activities will be funded by one of the following sources: the O&M, former North Area Local Project (NALP), CCAD and NBLAD Funds; and, the Development Impact Fee Fund. The following discussion is organized around these funding sources.

Operation and Maintenance Assessment District (O&M) Fund: \$10.95 million

The budget for general administration, planning, and operations and maintenance activities for FY 2015-16 covers a wide range of expenditures as detailed below:

General Administration: \$5.95 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 (predominantly the Executive Director, the Director of Administration, and administrative and accounting support staff), office rent and general office expenses. The budget does not include any increases in the Board approved salary ranges for each position. It does include funding for a Cost of Living Adjustment (COLA) and step increases for eligible employees per Board approved policies and procedures. There are currently five vacant Board approved positions. Once the transition to a self-administered personnel system is complete, SAFCA will be able to fill some of these vacancies. The budget includes funding to fill four of the five vacancies.

Operations and Maintenance Activities: \$3.77 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 (CVFPB), SAFCA is responsible for the care and maintenance of habitat mitigation at several bank protection sites and off-site areas along the Lower American and Sacramento Rivers. SAFCA is also responsible for maintenance of habitat mitigation developed in connection with the NALP including adaptive management, biological monitoring, trash/debris removal and 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 to assist in the purchase of flood insurance for residents within the Point Pleasant area as a condition of the CVFPB requirements related to the strengthening of 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 fencing, environmental services, engineering support for the second phase of the rehabilitation of groundwater wells and the rehabilitation and replacement of fencing in the Lower Dry Creek Floodway.

Regional Planning: This item funds coordination with the West Sacramento Area Flood Control Agency (WSAFCA), Yolo County, Solano County and other regional partners in developing a regional plan for implementing the Central Valley Flood Protection Plan.

Site 18A Culvert Replacement and Fish Passage Enhancement Project: An allocation of \$47,509 will cover SAFCA's staff and consultant time and construction costs for replacing the existing culvert at Site 18A. The costs of the project will be partially offset by a State grant that is administered through the Regional Water Authority.

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: \$278,895 - 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 2015-16, 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. The budget includes funding to support creation of a technical working group to examine erosion issues along the Lower American River. The objective of this effort will be to secure support for addressing identified erosion problems through the Sacramento River Bank Protection Project authority.

Ueda Parkway Work Plan: \$484,842 - 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. This item also supports some work to secure the staging area in the NEMDC Channel just south of Elkhorn Boulevard.

Dry Creek Parkway/Grant: \$65,643 - This item funds the close out of the Proposition 13 grant program.

North Area Local Project Assessment District (NALP) Fund: \$754,834

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: \$74.0 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: \$2.85 million - This item covers SAFCA's share of the cost of all construction, mitigation, and planning activities associated with the WRDA 1996 and 1999 authorized 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. Funding will be used to complete the last construction contract under this authorization and for project closeout activities.

Folsom Dam Modifications Project: \$18.1 million - This item covers SAFCA's share of the cost of the authorized (WRDA 2007) Joint Federal Project (authorized and Federally funded under the American River Watershed Folsom Dam Modifications 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. All elements of the Joint Federal Project are scheduled to be completed in the fall of 2017. Work also includes development of a new water control manual for the new facility.

This item also covers efforts by the USACE to raise Folsom Dam and associated dikes by 3.5 feet (authorized and Federally funded under the American River Watershed Folsom Dam Raise Project). SAFCA expects to enter into a cost sharing agreement in FY 2015-16. Funds will be used for staff time and cost sharing of design activities. It is expected that construction on the Raise will start shortly after the completion of the Folsom JFP and will be completed by 2021-22. In addition, some of these funds will be used to advance design on the temperature shutter modifications at Folsom Dam assisting in the lowering of water temperature in the lower American River to aid in the salmonid life cycle.

Folsom Dam Bridge: \$370 - The budget anticipates some staff time to verify our agreement with the City of Folsom has been fulfilled.

Natomas Levee Improvement Program: \$9.52 million - This item covers SAFCA's costs for continuing to close out 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 2015-16 includes funding to continue closing out SREL construction contracts; finalizing processing 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 habitat mitigation features. The budget also includes costs to continue efforts on the Federal phase of the program, with the USACE as lead (authorized and Federally funded under the American River Watershed Common Features Natomas Basin Project). The budget anticipates that SAFCA will receive reimbursements from DWR for these purposes. These reimbursements will fund a portion of the State's share of SAFCA's NLIP expenditures.

Lower American River Mile 0.5 Project: This project involves creation of floodplain and riparian habitat along the north bank of the lower 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 construct a seepage berm along the landside slope of the Garden Highway levee in the Natomas area near the Interstate 80 overcrossing of the Sacramento River. 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.

Levee Accreditation Program (LAP): \$28.07 million - SAFCA is implementing the Levee Accreditation Program that consists of approximately four miles of levee improvements in the North Area Streams (Arcade Creek and the NEMDC) and between five and six miles of levees improvements along the SREL between downtown Sacramento and town of Freeport. Significant design and environmental work have occurred and will continue in FY 2015-16. It is expected that the first construction contract will be awarded this upcoming fiscal year for North Area Stream improvements.

South Sacramento Streams Group (SSSG) Project: \$4.97 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 multi-use 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.

System Operation and Maintenance: \$2.27 million - This budget item includes payments to Reclamation District No. 1000, American River Flood Control District and the City of Sacramento for maintaining the levee improvements constructed in connection with the CCAD; developing and implementing a levee and floodway encroachment control and remediation program; and SAFCA's levee accreditation effort. 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: \$606,945

This fund covers costs for services related to ongoing administration of the Development Impact Fee Program, including payment of annual Reclamation District No. 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: \$554,945

Natomas Basin Local Assessment District (NBLAD) Fund: \$498,350

This item will fund engineering services necessary to prepare the tax roll and levy the NBLAD assessments in FY 2015-16 as well as 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 used to finance the proposed \$87.05 million in expenditures budgeted for FY 2015-16:

Estimated prior year fund balances:

- O&M Fund: \$2.46 million
- NALP Capital Fund: \$740,835
- CCAD Fund: \$9.6 million
- DIF Fund: \$409,647

Estimated interest earnings:

- O&M Fund: \$(65,393)
- NALP Capital Fund: \$5,000
- CCAD Fund: \$(134,555)
- DIF Fund: \$(2,702)
- NBLAD Fund: \$(1,650)

Negative interest earnings are the result of the incorrect apportionment of the County of Sacramento's Pooled Interest for FY 2010 through 2014.

2015 CCAD Bond Funds: \$29.9 million
Aid from Local Government: \$300,000
Aid from State Government: \$31.46 million

Assessments:

- O&M Fund: \$6.3 million
- CCAD Fund: \$4.3 million
- NBLAD Fund: \$500,000

Development Impact Fees: \$200,000
Estimated O&M Fund Reserve Release: \$1.8 million

POLICY IMPLICATIONS

The final FY 2015-16 budget proposal 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 to continue progress on the Federal portion of the work on the levees protecting the Natomas Basin. The budgeted expenditures also include SAFCA's contributions to ongoing Federal projects to modify Folsom Dam, improve the levees along the lower American River, and continue channel improvements along Florin Creek in the South Sacramento area; and for a series of smaller non-Federal projects that will be funded largely by State grants. Finally, the budgeted expenditures include funds for SAFCA to continue with design and to initiate the first construction contract on the Levee Accreditation Program for the levee systems outside of Natomas.

RECOMMENDATION

Staff recommends adoption of Resolution No. 2015-071 approving SAFCA's FY 2015-16 Final Budget.