

Agenda of August 18, 2016

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

**FROM: Jason D. Campbell, Deputy Executive Director
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SUBJECT: APPROVING FINAL FISCAL YEAR 2016-17 BUDGET

OVERVIEW:

This item presents the Fiscal Year 2016-17 Final Budget 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 the Board adopt Resolution No. 2016-089 approving SAFCA's Fiscal Year 2016-17 Final Budget.

MEASURES/EVALUATION:

Not applicable.

FISCAL IMPACT:

The proposed Final Budget anticipates \$81.3 million in expenditure appropriations to be funded by prior year fund balances, aid from local government, State aid, Bond Anticipation Notes, proceeds, assessments, development impact fees and a fund balance reserve release.

ENVIRONMENTAL IMPACT:

Not applicable.

BACKGROUND

On June 18, 2016, the Board adopted the proposed Fiscal Year (FY) 2016-17 Budget based on projected year end fund balances and expenditures. Now that the books for the prior fiscal year have been closed, staff recommends that the Board adopt the FY 2016-17 Final Budget taking into consideration the actual fund balance numbers and changes in the projected FY 2016-17 expenditures. The proposed Final Budget identifies SAFCA's continued costs to close out the non-Federal phase of the Natomas Levee Improvement Program (NLIP) and ramp up efforts on the Federal portion of the Natomas Basin Project; 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.

The Final Budget includes funding for continuing to close out the NLIP's Sacramento River East Levee construction contracts; processing reimbursement payments for utility pole relocation costs; completing NLIP 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 LAR; and continuing with the Florin Creek channel improvements in the south Sacramento area. The budget also includes carry over funding for non-Federal improvements along the LAR (creation of fish and wildlife habitat at River Mile 0.5) and the Florin Creek Multi-use Basin in the South Sacramento area (construction of a detention basin just west of Highway 99). These actions are being funded largely through State grants and 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.

DISCUSSION

The capital project and operational activities included in SAFCA's FY 2016-17 Final Budget proposal of \$81.3 million is discussed below and is shown in Exhibits A-E. SAFCA's contribution to these activities will be funded by one of the following sources: the Operations & Maintenance Assessment District No. 1, former North Area Local Project Capital Assessment District No. 2, Consolidated Capital Assessment District, Natomas Basin Local Assessment District, and Development Impact Fee funds. The following discussion is organized around these funding sources.

Operation and Maintenance Assessment District No. 1 Fund (O&M)

\$15.3 Million in Expenditures

The budget for the O&M fund covers a wide range of expenditures including general administration, planning, and operations and maintenance activities for FY 2016-17 expenditures. The O&M fund includes **\$2.6 million for SAFCA's Salaries and Benefits** for 17 Full Time Equivalent (FTE) staff to perform the administrative operations, general planning and

administration of programs and to provide project management and oversight of flood improvement efforts. The proposed budget does not include any increases in the Board approved salary ranges for each position. However, it does include funding for a Cost of Living Adjustment (COLA) and step increases for eligible employees per previously Board approved policies and procedures. There are currently two vacant Board approved positions that are anticipated to be filled during FY 2016-17. The proposed **\$4.4 million in services and supplies** expenditures supports Agency wide expenses such as liability insurance, office rent, assessment district administration and general legal services. Staff proposes ongoing efforts to improve Agency data management and the continued performance of operations and maintenance activities for mitigation sites and drainage pumping facilities that can't be attributed to other Agency assessment funds. The O&M budget includes **\$564,000 in other charges** of which \$397,000 is for annual bond debt service payments on the Series 1996 Subordinated O&M Bonds and \$135,000 in payments are to other agencies for services provided. Finally, the O&M fund includes **\$7.8 million in fund balance operating transfers to the CCAD** fund to support previously approved project activities and improvement programs.

The O&M Fund is projected to receive **\$7.3 million in revenue** during FY 2016-17. **\$6.3 million is from assessments** and the remaining **\$1.0 million is generated from labor and overhead charged** to projects funded by other Agency funds. The proposed Final Budget for the O&M fund provides an ongoing general reserve of \$2.1 million and \$1.6 million in unrestricted fund balance. For detail supporting this narrative, please see Exhibit A to Resolution No. 2016-089.

North Area Local Project Capital Assessment District No. 2 Fund (NALP)

\$5.4 Million in Expenditures

Although most levee improvements and floodplain land acquisitions have been completed, some performance obligations remain. These obligations include 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. For FY 2016-17, **\$20,000 in expenses** have been projected for Construction Services and Support. The remaining **\$5.5 million is a fund balance transfer to the CCAD** fund to support previously approved project activities and improvement programs. The proposed Final Budget for the NALP fund provides \$47,338 in unrestricted fund balance. For detail supporting this narrative, please see Exhibit B to Resolution No. 2016-089.

Consolidated Capital Assessment District Fund (CCAD)

\$51.3 Million in Expenditures

This fund covers costs associated with implementation of capital improvement projects that are described in the CCAD Engineer's Report, operations and maintenance activities for improvements within the assessment district, and right-of-way activities that are necessary to support project efforts. A summary of projects and operations activities is included in Attachment 1 to Exhibit C of Resolution No. 2016-089. CCAD expenditures include **\$29.2**

million in services and supplies where over \$20 million is accounted for by construction contracts and engineering services. Other charges include **\$16.1 million for contracts with other agencies** primarily in relation to agreements with the U.S. Army Corps of Engineers (USACE), California Department of Water Resources (DWR), Reclamation District No. 1000 (RD1000) and American River Flood Control District (ARFCD). Furthermore, expenditures include **\$5.9 million in Land Acquisition Costs** necessary to support Federal programs in Natomas, along the American River and the Magpie Creek Diversion Channel.

The primary source of funding for the \$51.3 million in CCAD expenditures is **\$21.5 million in Operating Transfers In** from other SAFCA funds. In addition, the proposed budget includes the use of \$4.0 million in CCAD Fund balance. **Projected FY 2016-17 CCAD revenues include \$25.8 million with \$13.8 million from intergovernmental sources and \$3.0 million from assessments.** In order to support the continued Folsom Dam Modifications Project, staff has approached the City of Sacramento regarding the issuance of Bond Anticipation Notes (BANs) pending the sale of bonds for the Consolidated Capital Assessment District No. 2. SAFCA is looking to execute a sale of up to **\$9.0 million in BANs**. The proposed Final Budget for the CCAD fund provides \$330,340 in unrestricted fund balance. For additional detail supporting this narrative, please see Exhibit C to Resolution No. 2016-089

Development Impact Fee Fund (DIF)

\$5.0 Million in Expenditures

This fund covers costs for services related to ongoing administration of the DIF 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. Expenditures include **\$365,000 in Services and Supplies** primarily for the provision of engineering and other professional services for relocation planning efforts associated with the Bryte Landfill. In addition, **\$375,000 in contracts with other agencies** to support the Memorandum of Agreement to Support the Sacramento River Flood Control General Reevaluation Report. Furthermore, **\$4.3 million in fund balance is proposed to be transferred to CCAD Fund** to support ongoing project activities.

Revenues are conservatively projected at \$1,000,000 in DIF proceeds during FY 2016-17. The proposed Final Budget for the DIF fund provides \$399,970 in unrestricted fund balance. For additional detail supporting this narrative, please see Exhibit D to Resolution No. 2016-089.

Natomas Basin Local Assessment District Fund (NBLAD)

\$4.0 Million in Expenditures

Expenditures in the NBLAD budget will fund engineering services necessary to prepare the tax roll and levy the NBLAD assessments in FY 2016-17 as well as charges from the Sacramento

County Auditor Controller for servicing the NBLAD fund. The primary expense is a **\$4.0 million transfer out to the CCAD fund** to support ongoing project activities.

Revenues are projected at \$16,000 in Net Assessment proceeds during FY 2016-17. For additional detail supporting this narrative, please see Exhibit E to Resolution No. 2016-089.

FINANCIAL IMPLICATIONS

The FY 2016-17 Final Budget anticipates the following means of financing for the five SAFCA funds:

Means of Financing:

Fund 325A -- Operations & Maintenance Expenditures \$15.3 million

Revenue:	\$7.3 million
Fund Balance Decrease:	\$7.0 million
General Reserve Decrease:	\$1.0 million

Fund 325C -- NALP Capital Fund Expenditures \$5.4 million

Fund Balance Decrease:	\$0.7 million
General Reserve Decrease:	\$4.7 million

Fund 325 E -- CCAD Fund Expenditures \$51.3 million

Revenue:	\$25.8 million
Fund Balance Decrease:	\$4.0 million
Operating Transfers In:	\$21.5 million

Fund 325 F -- DIF Fund Expenditures \$5.0 million

Revenue:	\$1.0 million
Fund Balance Decrease:	\$2.7 million
General Reserve Decrease:	\$1.3 million

Fund 325 G -- NBLAD Fund Expenditures \$4.0 million

Fund Balance Decrease:	\$4.0 million
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POLICY IMPLICATIONS

The proposed FY 2016-17 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 budgeted expenditures include local and State funds to continue to progress 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 LAR, 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 construction contracts on the Levee Accreditation Program for the levee systems outside of Natomas.

RECOMMENDATION

Staff recommends the Board adopt Resolution No. 2016-089 approving SAFCA's Fiscal Year 2016-17 Final Budget.

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Attachment(s)