

**ITEM 13**

Agenda of June 16, 2011

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

**FROM: Julie Lienert, Director of Administration  
(916) 874-8735**

**SUBJECT: RESOLUTON – ADOPTING FINAL FISCAL YEAR 2011-12 BUDGET**

**OVERVIEW:**

This item authorizes the final budget for Fiscal Year 2011-12 which provides for 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 approve the attached Resolution No. 2011-075 adopting the FY 2011-12 Final Budget.

**MEASURES/EVALUATION:**

Not applicable.

**FISCAL IMPACT:**

The budget anticipates \$158.39 million in expenditures to be funded by estimated prior year fund balances, estimated interest earnings, State aid, assessments, development impact fees, contributions, bonds and a reserve release.

**ENVIRONMENTAL IMPACT:**

None.

**BACKGROUND**

The majority of the Fiscal Year 2011-12 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; continuing improvements to Folsom Dam; operating and

## SAFCA Board of Directors

### Agenda of June 16, 2011

#### Page 2

maintaining area flood control facilities and related mitigation features; and carrying out the Agency's planning and general administration activities.

The budgeted allocation to the NLIP totals \$75.7 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 Powerline Road. The budget anticipates that SAFCA will provide \$11.3 million of this total and DWR will provide \$71.0 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 committed to SAFCA and set aside by DWR.

However, State contributions to the NLIP come in the form of reimbursements for actual and projected SAFCA expenditures. The timing of these reimbursements requires SAFCA to maintain substantial cash on hand to cover ongoing construction costs. The principal strategy incorporated in the budget to address cash flow requirements involves the deferral of non-essential operation and maintenance and capital construction expenditures, issuance of Natomas Basin Levee Assessment District (NBLAD) bond anticipation notes and utilization of reserve funds. In addition, in order to address the most extreme cash flow constraints, the budget provides for the option of issuing \$20.5 million of NBLAD bonds in 2011 as a contingency. These bonds would be secured by reserve funds and NBLAD assessments collectable in 2013. *These bonds will only be issued if all other means of managing the FY 2011-12 cash flow prove insufficient.*

The budget for NLIP reflects the need to have available all funds required to complete construction contracts which have been obligated, even though actual construction expenses from these contracts will be realized in FY 2011-12 as well as in FY 2012-13.

The status of major NLIP construction activities is as follows:

- Phase 1, complete except for the northeastern section adjacent to the Shelley property.
- Phase 2, under construction, to be completed in 2011.
- Phase 3, awarded May 6, 2010, to be completed in 2011.
- Phase 4a, awarded March 16, 2011, to be completed in 2011.

The budget for flood control improvements within the Consolidated Capital Assessment District (CCAD), but outside of Natomas totals \$26.0 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 South Sacramento Streams Group (SSSG). The budget also includes funding for non-Federal improvements along Unionhouse Creek in the South Sacramento area east of Franklin Boulevard and for land acquisition along Magpie Creek in the North Sacramento area.

## **SAFCA Board of Directors**

**Agenda of June 16, 2011**

**Page 3**

The budget also includes \$1.5 million for discharging obligations allocable to the old North Area Local Project (NALP).

The remainder of the budget, totaling \$7.0 million covers SAFCA's contribution to the cost of operating and maintaining area levees and constructed environmental features, the Development Impact Fee (DIF) program as well as the costs allocable to SAFCA's planning and general administration activities.

Once the final budget has been adopted, the Board will be requested to schedule the public hearing for the purpose of setting the FY 2011-12 assessment rates for the Operations & Maintenance (O&M) Assessment District. The O&M rate will be a function of the adopted budget for O&M activities which assumes the FY 2011-12 rates will remain at current (2010-11) levels. The CCAD rates are based on the formula set forth in the Final Engineer's Report and although NALP Assessment District No. 2 assessment collections have been terminated, we are required to maintain funds in this account to discharge remaining NALP obligations. Available fund balances and interest earnings included in the Budget financing sources are estimated; therefore, final totals will vary from the amounts shown. Although your 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, 2011 after year-end closing and final fund balance information is available.

### **DISCUSSION**

The project/work activities included in the \$158.39 million budget are discussed below. SAFCA's contribution to these activities will be funded by one of the following sources: O&M Fund; NALP Fund; CCAD Fund; and the DIF Fund. The following discussion is organized around these funding sources.

#### **Operation and Maintenance (O&M) Fund: \$7.25 million**

The budget for general administration, planning, and operations and maintenance activities for FY 2011-12 covers a wide range of expenditures as detailed below:

**General Administration: \$4.35 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.

**Operations and Maintenance Activities: \$1.69 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.

**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: \$378,000** - This item covers bond debt service payments on the Series 1996 Subordinated O&M Bonds.

**Lower American River Work Plan: \$17,724** – 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 that meets on a

## **SAFCA Board of Directors**

**Agenda of June 16, 2011**

**Page 5**

quarterly basis that was first created by SAFCA in 1994. It was established to identify opportunities for improving existing flood control facilities and developing stream bank management strategies along the 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: \$124,617** - 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: \$62,380** - 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: \$22,493** - 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: \$597,318**

### **North Area Local Project (NALP) Fund: \$1.46 million**

Completion of work on the NALP centers on addressing hydraulic and other mitigation obligations along the streams which drain into Steelhead Creek and the NCC for a total estimated expenditure of \$1.5 million. These obligations were incurred when Natomas and North Sacramento levees were raised and strengthened, thereby causing slightly higher flood levels upstream in Dry Creek, Robla Creek, Magpie Creek, and Arcade Creek. Although most levee improvements and floodplain land acquisitions have been completed, a series of remaining obligations must be discharged in FY 2011-12. 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: \$128.76 million**

## SAFCA Board of Directors

Agenda of June 16, 2011

Page 6

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: \$4.49 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 2011-12 Budget also includes funds necessary to provide the local contribution for this work.

**Folsom Dam Modifications Project: \$6.69 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 auxiliary spillway that will enable the dam operators to meet Federal dam safety standards and improve flood control operations. Reclamation commenced excavation of the new auxiliary spillway channel in 2008, with excavation continuing through the summer of 2010. The USACE awarded a construction contract in the fall of 2010. The President's FY 2012 budget includes \$28.0 million Federal appropriations to support the continued construction efforts in implementing the Joint Federal Project. This budget includes SAFCA's share of the cost of this construction (\$4.5 million) plus \$2.0 million for work performed in FY 2010-11. 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 which represents the final accounting of expenditures and some staff time to verify that our agreement with the City of Folsom has been fulfilled.

**Natomas Levee Improvement Program: \$75.73 million** - The Natomas Levee Improvement Program (NLIP) is intended to provide as much protection as possible to the Natomas Basin leveraging available State and local funding in the short-term, while pursuing 200-year flood protection through Federal funding in the long-term. This will be the fifth year of project implementation, beginning with construction along the Natomas Cross Canal in late 2007.

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 total project expenditures of \$75.7 million in FY 2011-12. 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 (5.3 miles) and 12.5 miles along the Sacramento River east levee from the NCC to just past Powerline Road. The budget assumes that all remaining construction contracts associated with this work (including mitigation features) will be awarded and completed during FY 2011-12. The budgeted expenditures will bring the total cost of NLIP activities to \$372.0 million, of which a total of

## **SAFCA Board of Directors**

**Agenda of June 16, 2011**

**Page 7**

\$289.7 million has been expended to date - \$113.0 million by SAFCA and \$176.0 million by the State.

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: \$143,438** - 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: \$4.67 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 has submitted a grant application to the State of California for the purchase of floodplain property along Magpie Creek and the budget includes the local match for this grant.

**South Sacramento Streams Group (SSSG) Project: \$5.57 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 expected to begin along the UPRR floodwall west of Franklin Boulevard in 2012,. Vegetation issues on the Beach Lake levee will also be addressed. 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. This effort is expected to be cost shared by several entities and SAFCA's anticipated contribution is included in this line item.

**Environmental Enhancements/System Operation and Maintenance: \$4.17 million** - This budget item includes payments to Reclamation District 1000 (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; 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.

**Estimated Reserve Provision: \$27.26 million**

**Development Impact Fee Fund: \$407,531**

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: \$323,531**

**Natomas Basin Levee Assessment District (NBLAD) Fund: \$20.5 million**

In order to address unlikely cash flow constraints associated with funding the final year of SAFCA-led NLIP construction, the budget includes issuance of \$20.5 million in NBLAD bonds. Bond proceeds would be used to repay the NBLAD Bond Anticipation Notes, Series 2011, issued to SAFCA and purchased by the City of Sacramento and cover NLIP construction costs pending receipt of State reimbursement funds. The proposed bonds would be secured by NBLAD assessments collectable beginning in 2013 and by reserve funds advanced from the O&M Fund. The NBLAD bonds would only be issued if all other means of managing the FY 2011-12 cash flow prove insufficient.

**FINANCIAL IMPLICATIONS**

The budget anticipates that the following funds will be used to finance the FY 2011-12 expenditures:

Estimated prior year fund balances:

- O&M Fund: \$931,719
- NALP Capital Fund: \$728,614
- CCAD Fund: \$21.8 million
- DIF Fund: \$202,531

Estimated interest earnings:

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

Aid from Local Gov't: \$2.59 million

State Aid: \$77.2 million



**SAFCA Board of Directors**

**Agenda of June 16, 2011**

**Page 9**

Assessments:

- O&M Fund: \$6.3 million
- CCAD Fund: \$6.6 million

Development Impact Fees: \$200,000

Contributions: \$6,500

Miscellaneous Revenue: \$1,800

NBLAD 2011 Bonds: \$20.5 million

Transfer from NBLAD to CCAD: \$20.5 million

NALP Reserve Release: \$377,958

**POLICY IMPLICATIONS**

The FY 2011-12 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 final budget was reviewed on June 2 and June 9 by the Board's Executive and Finance Committees, respectively. 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 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. This strategy relies on timely receipt of appropriated State funds, and timely action by the Federal Government. The budget assumes these conditions will be met. If they are not, the budget's anticipated reductions in flood risk around the Natomas Basin will not be fully realized.

**RECOMMENDATIONS**

Staff recommends the Board approve Resolution No. 2011-075 adopting the FY 2011-12 Final Budget.

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Attachment(s)