

June 29, 2009

TO: San Joaquin Area Flood Control Agency  
FROM: James B. Giottonini, Executive Director  
SUBJECT: **RESOLUTION APPROVING THE 2009-2010 FISCAL YEAR BUDGET FOR THE SAN JOAQUIN AREA FLOOD CONTROL AGENCY**

### RECOMMENDATION

It is recommended the Board of Directors of the San Joaquin Area Flood Control Agency adopt a resolution approving the 2009-2010 fiscal year budget for the San Joaquin Area Flood Control Agency (SJAFCA).

### DISCUSSION

#### Background

SJAFCA funds come from a variety of sources: surplus from the capital improvement project, equalization fees, annual operations and maintenance (O&M) assessments, interest earnings, and ongoing federal reimbursements. There are four funds which make up SJAFCA's budget:

***Equalization Fee Fund.*** This fund accounts for all monies collected under SJAFCA's Equalization Fee Program (Exhibit A, page 2). The Equalization Fee Program was developed to ensure that all new development within the SJAFCA Assessment District (Assessment District) contributes a fair share of improvement costs for the flood protection benefits provided by the project improvements. The benefits associated with undeveloped land were assessed at the time the original Assessment District was formed. As development occurs and improvements are constructed, an equalization fee is assessed. Monies collected through this assessment can be used to pay for costs of the flood control projects not included in the bonded indebtedness for the Assessment District, or to retire the assessment bonds early, or to pay for the construction of additional improvements.

Staff estimates receiving \$100,000 in equalization fees in the 2009-2010 fiscal year. The balance of the Equalization Fee Fund will be transferred to the SJAFCA Fund at the end of the fiscal year.

***Operations and Maintenance Fund.*** This fund accounts for all monies collected annually through SJAFCA's Operation and Maintenance (O&M) assessment (Exhibit A, page 2). The levy of these assessments provides resources for the ongoing maintenance of the SJAFCA Flood Protection Restoration Project improvements. On May 20, 2009, the Board adopted SJAFCA Resolution 09-08 approving the annual O&M Engineer's Report, and the levy and collection of SJAFCA district assessments for the O&M budget for fiscal year 2009-2010. It is anticipated the O&M Fund will have an estimated balance of \$3,541,700 on June 30, 2010.

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**Federal Reimbursement Fund.** This is a special fund that accounts for all activities related to SJAFCA's ongoing federal reimbursement. The estimated July 1, 2009 balance in this fund is \$7,045,000 (Exhibit A, page 1). This fund will continue to be used to pay for the appropriate contractual activities, acquisitions, engineering, and administrative functions previously approved by the Board. Staff anticipates using this fund to pay for SJAFCA's share of the FEMA Conditional Letter of Map Revision for the Smith Canal closure structure, the necessary work to complete the Provisionally Accredited Levee (PAL) documentation for Fourteen Mile Slough and Walker Slough, and the internal drainage analysis for Reclamation District 404.

This fund will have the following transactions during fiscal year 2009-2010: (i) revenues in the amount of \$145,000 from interest earnings, and (ii) expenses in the amount of \$956,600 (\$450,100 in operating expenses and \$506,500 in capital improvement expenses). It is anticipated the Federal Reimbursement Fund will have an estimated balance of \$6,233,900 on June 30, 2010.

**SJAFCA Fund.** This fund includes monies from the unexpended bond proceeds, the annual transfer from the Equalization Fee Fund, and earned interest throughout the fiscal year (Exhibit A, page 1). The estimated July 1, 2009 balance in the SJAFCA Fund is \$10,040,500. This fund will be used to pay for the contractual activities, acquisitions, engineering, and administrative functions previously approved by the Board. Staff anticipates using this fund to pay for the Lower San Joaquin River Feasibility Study, the Lower Calaveras River PAL documentation, geotechnical studies and reviews, and technical support. This fund will also be used to pay for the PAL documentation for levee segment P359, (a pass through expense as RD 1614 has provided funding for this project).

This fund will have the following transactions during fiscal year 2009-2010: (i) revenues in the amount of \$650,500 (\$94,000 transfer-in from the Equalization Fee Fund, \$211,000 interest earnings, \$55,000 from RD 1614, and \$290,500 from local agencies and partners for the feasibility study), and (ii) expenses in the amount of \$1,878,200 (\$851,200 in operating expenses and \$1,027,000 in capital improvement expenses). It is anticipated the SJAFCA Fund will have an estimated balance of \$8,812,800 on June 30, 2010.

### Present Situation

The budget format in previous years was arranged to appropriate all existing fund balances leaving a zero fund balance at the end of the fiscal year. In contrast, this year's budget details the funds set aside for proposed projects and the estimated balance at the end of the fiscal year for both the Federal Reimbursement Fund and SJAFCA Fund.

Revenues in the proposed fiscal year 2009-2010 budget will come from earned interest from both the Federal Reimbursement and SJAFCA funds, a transfer-in from the Equalization Fee Fund, and funding received from local agency partners for assistance with PAL documentation and for the local cost-share for the Lower San Joaquin River Feasibility Study.

SJAFCA is presently undertaking significant efforts to address new legislation and levee requirements, and is coordinating with local reclamation districts, and state and federal agencies. In addition, SJAFCA is seeking funding support from local, state, and federal partners. The expenses in the proposed fiscal year 2009-2010 budget are described below in the Operating Budget and Capital Improvement Program.

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**Operating Budget.** SJAFCA is currently staffed to meet the requirements described above. However, one concern is the impact of City-required furloughs. Because SJAFCA employees are City employees loaned to SJAFCA, staff is subject to the City of Stockton's General Fund budget problems (furloughs, equity adjustments and reclassification limitations). Furloughs have proven to be a challenge when staff has not been available to meet and coordinate with local agencies and partners to accomplish its goals. Staff plans to discuss these concerns with the City to investigate the possibility of exempting SJAFCA staff from furloughs. SJAFCA staff members who are currently undertaking additional duties above and beyond their current pay grade are also affected by the City's budget issues as limitations are placed on equity adjustments and job reclassification. SJAFCA's Operating Budget includes sufficient funding to exempt staff from furloughs and to allow for equity adjustments and/or job reclassifications. These adjustments would be subject to future Board review and approval.

The Operating Budget also includes proposed expenses related to "City Employee Services." These figures reflect the anticipated administration expenses of City of Stockton employees who provide support services to SJAFCA (such as legal counsel, administrative services for SJAFCA's assessment districts, etc.). Costs associated with special and professional services in handling day-to-day business such as technical consultants, lobbying activities, and insurance coverages are included under "Other Services." Charges associated with facility maintenance, equipment, and miscellaneous support services such as payroll, technology support, travel, training, and professional memberships are included under "Other Expenses." The total estimated Operating Budget is \$1,301,300.

At the end of each fiscal year, the City of Stockton invoices SJAFCA for operating expenses covered by the City. Beginning with fiscal year 2008-2009, staff will bring the City's invoice for the annual operating expenses to the Board for approval.

**Capital Improvement Program (CIP).** The CIP includes new and existing projects. "New Projects" include the \$10 million, five-year Lower San Joaquin River Feasibility Study (LSJRFS). Presently, the estimated expenses of the LSJRFS for fiscal year 2009-2010 have not been included in the budget because these expenses will be dependent on Federal appropriations. The Federal Cost Share Agreement with the Corps of Engineers for the LSJRFS is based on a 50-50 cost-share. Therefore, SJAFCA will need to match dollar-for-dollar the federal appropriation allocated to the LSJRFS (SJAFCA's share includes contributions from local partners).

It should be noted that the President's budget did not include funding for the LSJRFS. However, a Congressional request from both the Senate and the House asks for \$2 million. Once the Congressional Committees (Senate and House) approve the requests, the actual appropriation will be defined and approved by a Conference Committee. It is expected that this appropriation may occur sometime in September. Once the federal appropriation is approved, an amendment to the CIP budget will be presented to the Board for consideration.

In addition, this year's CIP budget assumes that no State funding is allocated toward the feasibility study. However, this will change when the State budget crisis is resolved because the State will be included as a partner and will pick up 25 percent of the study costs. The remaining local share (25 percent) is divided between SJAFCA and the participating local partners (County, RDs, and City of Lodi). Information from this feasibility study will be used to assure a 100-year level of flood protection and to develop a plan to meet or exceed a 200-year level of flood protection for urban and urbanizing areas, as required by State Senate Bill 5.

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In addition to the Lower San Joaquin River Feasibility Study, the CIP includes funding to assist with and/or prepare required PAL documentation. The proposed budget for "New Projects" under the CIP is estimated at \$233,000:

- \$ 68,000 RD 404 internal drainage analysis
  - \$110,000 Walker Slough PAL documentation
  - \$ 55,000 Levee P359 PAL documentation (a pass through expense)
- Total: \$233,000

Included under "Existing Contracts" are the remaining costs of previously approved projects. These remaining costs total \$1,300,500 and consist of the following:

- \$ 98,500 Smith Canal closure structure (SJAFCA's share)
  - \$230,000 Fourteen Mile Slough PAL documentation
  - \$767,800 Lower Calaveras River PAL documentation
  - \$133,700 Lower San Joaquin Feasibility Study (project management)
  - \$ 43,100 Geotechnical review
  - \$ 27,400 Technical support (all projects)
- Total: \$1,300,500

Total expenses for the CIP (New Projects and Existing Contracts) are estimated at \$1,533,500.

### Summary

The combined estimated balance on June 30, 2010 in the Federal Reimbursement and SJAFCA funds is \$15,046,700 (Federal Reimbursement Fund balance of \$6,233,900 and SJAFCA Fund balance of \$8,812,800) and can be used for the design, permitting and construction of future projects that provide flood benefits to the SJAFCA assessment district area.

The CIP budget does not include expenses for the LSJRFS, therefore, staff will come back to the Board with an amendment to the CIP budget after a Federal appropriation for the project is approved. Staff anticipates the Federal appropriation to occur in September this year.

It is recommended that the Board adopt a resolution approving the Agency's proposed fiscal year 2009-2010 budget.

PREPARED BY: Juan J. Neira



APPROVED:  
JAMES B. GIOTTONINI  
EXECUTIVE DIRECTOR

JBG:RD:JJN:MD

Attachments

## EXHIBIT A

### 09/10 PROPOSED BUDGET AND ALLOCATION TO FEDERAL REIMBURSEMENT AND SJAFCA FUND

		FEDERAL REIMBURSEMENT FUND	SJAFCA FUND
<b>Estimated Fund Balance 7-1-2009</b>	<b>\$17,086,000</b>	<b>\$7,045,500</b>	<b>\$10,040,500</b>
<b>Revenues:</b>			
Transfer from Equalization Fee Fund	\$94,000		\$94,000
Interest	\$356,000	\$145,000	\$211,000
RD 1614 funding (P359 PAL Documentation)	\$55,000		\$55,000
FY 09/10 local share for LSJRFS	\$290,500		\$290,500
<b>Total Revenues</b>	<b>\$795,500</b>	<b>\$145,000</b>	<b>\$650,500</b>
<b>Expenses:</b>			
<b><u>OPERATING BUDGET</u></b>			
SJAFCA Employee Services	\$832,500	\$261,800	\$570,700
City Employee Services	\$70,600	\$21,200	\$49,400
Other Services	\$283,200	\$132,500	\$150,700
Materials & Supplies	\$6,500	\$2,000	\$4,500
Other Expenses	\$108,500	\$32,600	\$75,900
<b>Total Operating Expenses:</b>	<b>\$1,301,300</b>	<b>\$450,100</b>	<b>\$851,200</b>
<b><u>CAPITAL IMPROVEMENT PROGRAM</u></b>			
<b>New Projects:</b>			
Lower San Joaquin River Feasibility Study	\$0		
RD 404 Internal Drainage	\$68,000	\$68,000	
Walker Slough PAL Documentation	\$110,000	\$110,000	
Levee Segment P359 PAL Documentation	\$55,000		\$55,000
Subtotal:	\$233,000	\$178,000	\$55,000
<b>Existing Contracts:</b>			
Smith Canal Closure Structure (SJAFCA's share)	\$98,500	\$98,500	
Fourteen Mile Slough PAL Documentation	\$230,000	\$230,000	
Lower Calaveras River PAL Documentation	\$767,800		\$767,800
Lower San Joaquin River (Project Management)	\$133,700		\$133,700
Geotechnical Review	\$43,100		\$43,100
Technical Support	\$27,400		\$27,400
Subtotal:	\$1,300,500	\$328,500	\$972,000
<b>Total Capital Improvement Expenses:</b>	<b>\$1,533,500</b>	<b>\$506,500</b>	<b>\$1,027,000</b>
<b>Total Expenses</b>	<b>\$2,834,800</b>	<b>\$956,600</b>	<b>\$1,878,200</b>
<b>Estimated Fund Balance June 30, 2010</b>	<b>\$15,046,700</b>	<b>\$6,233,900</b>	<b>\$8,812,800</b>

## EXHIBIT A

SAN JOAQUIN AREA FLOOD CONTROL AGENCY			Proposed 2009-10 Budget
<b><u>EQUALIZATION FEE FUND</u></b>			
Fund Balance 7-1-2009			\$0
Revenues: Equalization Fees (Permits)			\$100,000
Interest			\$2,000
<b>Total Revenues</b>			<b>\$102,000</b>
Expenses: Administration			\$8,000
Transfer to SJAFCA Fund (see page 1)			\$94,000
<b>Total Expenses</b>			<b>\$102,000</b>
<b>Estimated Fund Balance June 30, 2010</b>			<b>\$0</b>
<b><u>OPERATIONS AND MAINTENANCE FUND</u></b>			
O&M			\$2,040,000
Floodwall Replacement			\$850,000
Bridge Floodproofing Repair			\$610,000
<b>Estimated Fund Balance 7-1-2009</b>			<b>\$3,500,000</b>
Revenues:			
	Assessments	Interest Earnings	
O&M Surplus	\$642,500	\$49,500	\$692,000
Floodwall Replacement	\$96,700	\$20,500	\$117,200
Bridge Floodproofing Repair	\$10,000	\$15,000	\$25,000
<b>Total Revenues</b>			<b>\$834,200</b>
Expenses:			
Annual Maintenance & Administration			\$642,500
Additional one-time request for FY 08/09			\$50,000
Contingencies (emergency repairs if needed)			\$100,000
<b>Total Expenses</b>			<b>\$792,500</b>
Estimated Fund Balances June 30, 2010:			
O&M Surplus: \$2,040,000 + \$692,000 - \$792,500 = \$1,939,500			
Floodwall Replacement: \$850,000 + \$117,200 = \$967,200			
Bridge Floodproofing Repair: \$610,000 + \$25,000 = \$635,000			
<b>Estimated Fund Balance June 30, 2010</b>			<b>\$3,541,700</b>