



# Sutter Butte Flood Control Agency

*A Partnership for Flood Safety*

June 10, 2020

**TO:** Board of Directors

**FROM:** Michael Bessette, Executive Director  
Seth Wurzel, Budget Manager

**SUBJECT:** Budget Transmittal - Final Amended 2019-21 Budget covering Fiscal Years 2019-20 and 2020-21 and Final 2021-23 Budget covering Fiscal Years 2021-22 and 2022-23

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## **Introduction**

On May 13, 2020, the Board preliminarily approved a Proposed Amended Budget for Fiscal Years 2019-20 and 2020-21 ("Proposed Amended 2019-21 Budget") and a Proposed Budget for Fiscal Years 2021-22 and 2022-23 "Proposed 2021-23 Budget." The Board scheduled a public hearing for June 10, 2020, directed staff to make copies of the Proposed Amended 2019-21 and Proposed 2021-23 Budgets available to the public and directed noticing of the hearing as required by law. These actions have been completed.

This report transmits to the Board the Final Amended Budget covering fiscal years 2019 through 2021, and a Final Budget covering fiscal years 2021 through 2023. Staff recommends that the Board conduct a public hearing and approve the attached Final Amended 2019-21 Budget and Final 2021-23 Budget.

## **Background / Summary**

On January 13, 2016, the Board adopted a Strategic Plan that set out the Vision, Goals and Objectives of the Agency for the ensuing 10-years. In June 2016, the Board approved the first budget prepared under this fundamental planning document. On April 11, 2018, the Board adopted an update to the Strategic Plan (April 2018) that reflected the completed accomplishments and events that have occurred since the adoption of the Plan in January 2016. This budget again reflects SBFCA's implementation of the April 2018 Strategic Plan and associated objectives. Staff proposes that the Board adopt the Final Amended 2019-21 and Final 2021-23 Budget implementing the Plan. Staff's recommendation primarily reflects the following:

- Updated costs and timing associated with the capital programs including the Feather River West Levee Project 1 ("FRWLP1"), Oroville Wildlife Area ("OWA"), the USACE Sutter Basin Flood Risk Management Project ("USACE SBFMR") and others as a result of completed construction, engineering, scheduling and state funding coordination efforts to date;
- An addition to the budget of a Phase 3 of the Feather River Regional Flood Management Plan ("Regional Planning").
- The addition of two-years of budget projections reflective of the completion of ongoing and planned capital projects.

The approval of this budget reflects SBFCA's attainment of its primary near-term objective; the completion of the FRWLP1 as well as the advancement of other objectives consistent with the approved Updated Strategic Plan. SBFCA has completed work on the FRWLP1 in Project Areas B, C, and D and the remaining Completion Projects work in Sutter County. The Amended Budget reflects the full completion of the FRWLP1 as well as additional work

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in the OWA as result of the receipt of additional grant funding. To facilitate financial management, staff has prepared a detailed updated cash flow projection for the Agency, which provides the basis for the Final Amended 2019-21 and Final 2021-23 Budgets.

#### **Discussion**

The gross estimated expenditures for the Final Amended 2019-21 Budget now totals \$28.6 million and the gross estimated expenditures for the Final 2021-23 Budget total \$4.6 million, a combined \$33.2 million over the four-year period. These amounts exclude the costs of financing/borrowing.

#### **Budgeted Expenditures**

The following table outlines the remaining projected expenditures for each project currently being advanced by SBFCA. Between the 2019-21 and 2021-23 budgets, expenses are shown to decrease as the listed projects are completed.

<b>Element</b>	<b>2019-21</b>	<b>2021-23</b>
Overhead	2,155,001	1,807,409
USACE SBFRM	1,102,400	-
EIP/UFRR	10,791,824	124,272
Stakeholder	20,000	-
Regional Planning	115,054	100,063
LC FSRP	50,587	-
OWA	10,172,920	489,117
Small Communities	502,318	-
Flood Fighting & Emerg Proj	475,378	-
Sediment Removal	3,253,264	2,132,280
Subtotal - Capital Costs	26,483,745	2,845,731
<b>Total All Costs</b>	<b>\$28,638,746</b>	<b>\$4,653,140</b>

#### **Overhead Costs**

From 2019-21 to 2021-23, overhead costs decrease due to lower operational costs associated with projects. Financial management, assessment district administration, and consulting services costs decrease over time as a majority of the projects reach completion over the four-year period. With that however, the Agency is still expected to advance the Board Adopted Strategic Plan objectives and work to secure additional funding for the remaining outstanding projects.

#### **Federal Project**

A majority of SBFCA's costs of the US Army Corp of Engineers project have been expended in previous years. Remaining costs are associated with the Project Partnership Agreement obligations of the Local Sponsor including LERRDs and Work-In-Kind Project Management expenses. The project is expected to be completed by 2021.

#### **EIP/UFRR**

The UFRR project is expected to be completed in FY 2020-21 with a majority of those costs expended by the end of 2019-20. Remaining costs in 2020-21 are related to Right-of-Way acquisition, Right-of-Way support costs, mitigation and project closeout related activities. Additional future costs in 2021-23 are associated with FEMA certification efforts.

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**Stakeholder Management**

Stakeholder management related expenses are expected to discontinue by 2020-21.

**Regional Planning**

The addition of a third grant during the first quarter of 2020 has added additional funding for work to be completed by SBFCA. This next round of Regional Planning funding will be managed by TRLIA so it is expected that the majority of expenses incurred will be assumed by TRLIA as funding will be provided directly to TRLIA by DWR. However, some expenses may be incurred by SBFCA and SBFCA will work with TRLIA on reimbursement through the grant. As such to account for this approach, this budget include an additional \$200,000 of work through the end of fiscal year 2021-22 with corresponding revenue to cover these expenses.

**Laurel Avenue FSRP**

Laurel Avenue construction work was completed in 2018-19, though Right-of-Way costs tracked under the Laurel Project code continue. These remaining costs are associated with securing Federal Credit for the previously completed levee improvements.

**OWA**

CDFW and WCB grant-related work is projected for completion in the Spring of 2020. The CDFW funded Vegetation Restoration and post-project monitoring work will continue into 2022.

**Small Communities**

Small Communities expenses for Sutter and Tudor communities will be completed by the end of the 2019-2020 fiscal year. The Agency received a funding commitment of \$500,000 for each community and the studies were completed within this budget.

**Flood Fighting & Emergency Work**

No additional costs are projected beyond the current fiscal year with the remaining Sutter County road repair work recently invoiced to the agency.

**Sediment Removal**

Work on the sediment removal project at the Yuba City and Live Oak Boat ramps began in late 2019-20 fiscal year and will continue until 2021-22.

**Funding**

The expenditures reflected within the proposed budget rely on a combination of funding from multiple sources. The following funding sources have been secured by SBFCA (or SBFCA has received a commitment from a grantor) to complete the current remaining budgeted work:

- Annual revenues from the property owner-approved local assessment district to provide the local cost sharing of improvement projects and administration of the Agency and debt service;
- Multiple sources of State Proposition 1E funds from DWR for the State share of the FRWLP1 including design, environmental mitigation, permitting and construction costs through the Urban Flood Risk Reduction (UFRR) program;
- State funding from DWR for the flood control features of the Oroville Wildlife Area Flood Stage Reduction Project;

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- State funding from DWR for the preparation of the Feather River Regional Flood Management Plan and continued regional coordination;
- State funding through the Wildlife Conservation Board (multiple grants) and the California Department of Fish and Wildlife for the restoration of the Oroville Wildlife Area Project;
- State funding from DWR for the preparation of Small Community Feasibility Studies;
- State funding from the California Natural Resources Agency under the California River Parkways Grant Program – Proposition 68 for the Feather River Sediment Removal Project; and,
- Existing available fund balances.

Budgeted revenues over the 4-year period have been increased by \$16.07 million from \$44.17 million to \$60.24 million due to the inclusion of new projects and projected assessment revenues with the newly proposed 2021-23 budget.

**Capital Project Funding and Financing**

*Local Agency Funding*

The FRWLP1 was the major initiative of the Agency. To fund this project and the remaining flood risk reduction efforts of the Agency, SBFCA secured the following local funding and financing:

- In July 2010, SBFCA concluded a successful Proposition 218 mail-in ballot election that was needed for local funding;
- In April 2012, SBFCA secured a \$25,000,000 line of credit loan to provide the needed working capital to advance the design and commence the right-of-way acquisition for the project;
- In June 2013, the Agency sold \$41,035,000 of bonds secured by assessment revenues;
- In October 2013, SBFCA secured a \$56,780,000 grant for the initial phase of construction of the FRWLP1 project; and,

*Grant Funding*

For the remaining Capital Project programs that are underway and nearing completion, SBFCA secured the following non-local funding sources -

- In December 2014, SBFCA received a commitment of \$43,861,587 of competitive UFRR funding for an amendment to its current construction funding to increase the State's cost share on current construction work to 76%;
- In December 2014, SBFCA received two Prop 13 Grants under the YFFPP to design and permit projects at Gridley Bridge (\$460,000) and the Oroville Wildlife Area (\$1,658,800);
- In June 2015, SBFCA sold \$47,070,000 of bonds secured by assessment revenues to pay off the outstanding line of credit and generate an additional \$33.7 million in proceeds;

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- In June 2016, SBFCA worked with DWR to amend the current construction funding agreement to provide funding for the remainder of the work in the northern reaches of the FRWLP1 and increase funding by \$40,828,931;

For the OWA Project -

- In September 2017, an additional \$2,509,700 was secured through a Prop 1 Grant administered by California Department of Fish and Wildlife for continued restoration work on the Oroville Wildlife Area;
- In November 2017, SBFCA received an additional \$29,201,000 of UFRR funding from DWR for Emergency Levee Repair Work and Emergency Flood Fighting and Protective Measures;
- In February 2018, a \$484,000 Public Access grant was secured for the Oroville Wildlife Area project from Wildlife Conservation Board;
- In March 2018, an additional \$5,000,000 was secured from the Wildlife Conservation Board for the balance of the Oroville Wildlife Area Project.
- In September 2019, an additional \$1,716,847 was secured from CDFW for the Oroville Wildlife Area.

SBFCA is in the final stages of completing the FRWLP1 and OWA projects. The remaining work includes finalizing construction related closeout activities through 2020. Remaining work beyond these projects includes prosecuting the near-term objectives of the Strategic Plan.

**Budget Policy**

Pursuant to SBFCA's Joint Exercise of Powers Agreement, the process for adopting the budget is the same process that Sutter County employs to adopt its budget.

The Board took action at its May 13, 2020 meeting preliminarily approving a Proposed Amended 2019-21 Budget and Proposed 2021-23 Budget as an acknowledgement that it has been received and for the purpose of holding a public hearing on June 10, 2020. The action at the May 13, 2020 meeting did not constitute budget approval. Staff recommends approval of the Final Amended 2019-21 Budget and Final 2021-23 Budget on June 10, 2020 after the receipt of public testimony at the scheduled public hearing and after discussion among the Board of Directors.

**Proposed Amended 2019-21 and Proposed 2021-23 Operating Budget**

Finally, SBFCA's Annual Operating Budget as well as and interest cost on all SBFCA-incurred long-term borrowing are included within the budget. Historically (through 2019-20) a portion of SBFCA's administrative/operating costs have been allocated to its grant funded capital programs in order to absorb the higher costs of operating the Agency during a period of significant construction activity. As the current level of capital project activity of the Agency decreases, SBFCA's grant funded capital programs will no longer cost share in Agency operations. As planned, to cover the costs of this foreseen transition period, the Agency has carried forward its operating fund surplus budget each year of operation to build a fund balance (reserve). The portion of annual assessment revenues dedicated for Agency operations that has exceeded operating fund expenditures has been used to fund this reserve. At the end of FY 2019/20, the Agency's Operating Fund Balance is expected to be approximately \$4.2 million. In order to present a more conservative budget, starting in FY 2019/20 and through 2022/23 staff proposes an Operating Fund Budget that reflects the assumption that a lower portion of operating expenses will be able to be cost shared (i.e. allocated) to Capital Programs. As such, through FY 2020/21, operating expenses are expected to exceed operating revenues and the carryover fund balance is expected to decrease to \$3.9 million.

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As the Agency plans and scopes the remaining projects associated with implementing the Strategic Plan, Staff will monitor the Operating Fund and recommend approaches to reduce Operating expenses to ensure the fiscal sustainability of the Agency into the future consistent with Strategic Plan Objective No. 14.

**Current Economic Considerations**

As Local Agencies, including Cities and Counties, take this time to plan their budgets for FY 2020-21, they are taking into consideration the realities of the current economic crisis associated with the COVID-19 pandemic. SBFCA is no exception.

Most local general government entities in California are funded from a combination of Property Tax and Sales Tax revenues, however this is not the case for SBFCA. As described in detail above SBFCA's Operating Budget is funded by assessments collected on Property Tax Bills in Sutter and Butte Counties. SBFCA's Capital Budget is funded from a combination of Bond Proceeds, Assessments and previously secured grants from the State of California. SBFCA's assessments are not tied to property values but rather a formula that takes into consideration a properties benefit from flood protection. In other words, SBFCA's assessments are not subject to down turns in the Real Estate market or property values. The greatest risk to SBFCA is if many property owners fail to pay their property tax bills and the remittances of assessments from the counties impacts SBFCA from a cash flow perspective. However, as previously noted, SBFCA is currently carrying fund balances within its Operating and Capital funds and this issue would be mitigated by those fund balances. Further, SBFCA has typically only budgeted \$6.5 million of revenue annually from assessments and actual collections, including interest has generally exceeded this amount by approximately \$100,000 annually. As a result, SBFCA staff has concluded that the current economic situation is unlikely to impact SBFCA's annual budget. SBFCA's financial operations are generally well insulated from economic downturns.

**Conclusion**

The Final Amended 2019-21 and Final 2021-23 Budget are based upon the sound concept of financial sustainability – matching necessary and required expenditures to realistic but conservative revenue projections, and the expectations of what SBFCA can financially support into the future. The Board's adoption of this budget will continue implementation of the Strategic Plan with clear direction and associated financial resources.