

**MINUTES OF THE FINANCE COMMITTEE
SUTTER BUTTE FLOOD CONTROL AGENCY
DECEMBER 8, 2014**

The Sutter Butte Flood Control Agency (SBFCA) Finance Committee Members, met on the above date at 12 p.m. at the SBFCA office, 1441 Garden Highway, Yuba City, California.

MEMBERS PRESENT:

City of Yuba City: John Dukes and Kash Gill
Levee District 9: David Lamon
County of Butte: Steve Lambert*
Levee District 1: Barbara LeVake

**Director Steve Lambert will participate in the meeting by teleconference from 3159 Nelson Avenue Oroville, CA 95965 in accordance with Government Code section 54953(b)(3). This location is accessible to the public, and persons attending at this location will be afforded an opportunity to address the sub-committee members from that location.*

STAFF PRESENT: Mike Inamine, Executive Director; Michael Bessette, Director of Engineering; Andrea Clark, Agency Counsel; Seth Wurzel, Budget Manager; Lisa Murphy on behalf of Sarah Modeste, Administrative Manager

1. Call to Order/Discussion & Action Items

a. Approval of Finance Committee Meeting Minutes from July 1, 2014, August 4, 2014, September 10, 2014 and November 6, 2014

Agency Counsel Andrea Clark pointed out a correction needed in the July 1, 2014 minutes which was brought to her attention by Roberta Fletcher, the representative from CADAC.

On motion of Director John Dukes, and seconded by Director Kash Gill, the minutes were approved as follows:

- John Dukes – Yes
- Kash Gill – Yes
- Barbara LeVake – Yes
- Steve Lambert – Yes
- Dave Lamon - Yes

b. Update on Fiscal Year 2013-14 Audit

Budget Manager Seth Wurzel outlined several highlights from the annual financial report, including:

- Awarded construction contract for Areas B&D
- Executed construction agreement with DWR for Project Area C, amended in September for Areas B&D with reimbursements in FY13-14
- Expended more than \$48 million to advance the EIP project
- Substantial year over year increase in financial activity, including:
 - Expenditures increased by more than 300%
 - Revenues increased by more than 380%
 - Made significant progress on 19 miles of levee improvements

Mr. Wurzel stated that SBFCA received an unqualified opinion on the audit of financial statements, which is considered a "clean audit." Mr. Wurzel stated that the operating fund actual revenue was greater than budgeted by \$18,240, which is directly related to interest earned. Actual expenditures were less than budgeted by \$237,000. He added that the capital fund actual revenues were lower than budgeted by \$18.8 million and actual expenditures were lower than budgeted by \$39.8 million.

Also included in the audit was a management report, which is a report on SBFCA's internal controls. Following are the review findings:

- No management recommendations
- Found no deficiencies related to processes and procedures related to financial activities
- All prior year recommendations were implemented
- SBFCA immediately resolved recommendations at the end of last year and maintained those processes

Director John Dukes asked the difference between operating vs. capital fund. Mr. Wurzel stated that the operating fund is for salaries/benefits, overhead and lease and the capital fund is where we keep track of all project and grant funding.

c. Update on State Funding

Executive Director, Mr. Inamine stated that in order to finish the Feather River West Levee Project, SBFCA will need an additional approximately \$82 million in grant funding. There are two issues facing the agency with regard to state funding; the previously reported reimbursement problem with EIP and the timeliness of the UFRR grant program.

Regarding the reimbursement issue, DWR is considering SBFCA's request to include UFRR language that would allow reimbursement instead of only credit for approved work. Similarly, Jim Nielsen and James Gallagher have authored a bill which will solve this legislatively.

Mr. Inamine discussed four (4) alternatives being considered by DWR to ensure uninterrupted construction funding of FRWLP and also a process by which DWR could fund the project balance. These alternatives are summarized below.

Alternative DWR Funding Scenarios:

- o EIP \$82 million by January 2015
- o EIP \$44 million in current EIP Scope in January 2015
 - Balance (\$38M) by July 15, 2015 through Capital Outlay
 - State budget must be timely
- o EIP/UFRR \$44 million in current EIP Scope in January 2015
 - Balance (\$38M) by July 15, 2015 through UFRR
 - UFRR must be timely
- o UFRR \$82 million by April 1, 2015
 - Direct Funding
 - UFRR must be timely

Mr. Inamine stated that DWR must make a decision by the end of December in order for SBFCA to advance 2015 construction activities. SBFCA staff has been working with DWR staff to identify a fix.

Director John Dukes asked if they don't give us \$82 million from EIP, then will it come from the UFRR grant program. Mr. Inamine stated that all funding is under UFRR. It is likely the solution will be to give us \$44 million in current EIP scope in January 2015.

Director David Lamon commented that if we don't get the \$44 million in January 2015 we'll have to halt construction. The \$44 million isn't a solution, but it will buy us some time. Mr. Inamine stated we don't plan to stop construction. Alternatives 1, 2 or 3 would work for us and allow us to continue construction.

Director Barbara LeVake asked what the role of CVFPB is with DWR. Mr. Inamine stated the CVFPB has played a proactive role. CVFPB took DWR to task two weeks ago at their board meeting, asking why funding is delayed.

2. Public Comment

Roberta Fletcher, representative from CADAC asked if the number of population we are protecting compared to other areas, is that a factor in how much funding we receive. Mr. Inamine stated that WSAFCA and SAFCA are also trying to secure federal funding. All 5 agencies think there is enough money for all agencies to have their immediate needs met.

Roberta Fletcher stated she is very pleased with the work already completed. It makes her feel safe and really appreciate there is less risk.

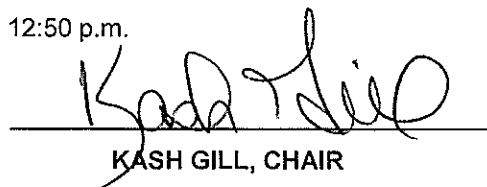
3. Adjourn

With no further business, the meeting was adjourned at 12:50 p.m.

ATTEST BY:



LISA MURPHY ON BEHALF OF
SARAH MODESTE, BOARD CLERK



KASH GILL, CHAIR