

May 29, 2018

TO: San Joaquin Area Flood Control Agency
 FROM: Roger Churchwell, Acting Executive Director
 SUBJECT: **RESOLUTION TO APPROVE THE PROPOSED FISCAL YEAR 2018/19 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 to approve the proposed fiscal year (FY) 2018/19 budget for the San Joaquin Area Flood Control Agency.

DISCUSSION

Background

On May 18, 2017, the Board adopted SJAFCA Resolution No. 17-07 approving the Agency's proposed budget for FY 17/18 (Exhibit A). Also, shown on Exhibit A is an updated budget with revised beginning fund balances, revenues, and the following modification:

- A \$52,000 reduction in the amount allocated for City Employee Services because anticipated assistance with financing activities for the Smith Canal Area Assessment District was not implemented during the current fiscal year.

As of March 31, 2018, with 75 percent of the FY lapsed, the Agency has spent about 62% of the operating budget (see table below). Overall operating costs are expected to come in under budget and this is mainly due to vacant positions in SJAFCA.

FY 17/18 To-Date Operating Expenses and Year-End Estimate

	FY 17/18 Revised Budget	17/18 Expenses As of 3/31/18*	Year-End Estimated Operating Expenses
SJAFCA Employee Services	\$ 855,000	\$ 472,902 (55%)	\$ 608,000 (71%)
City Employee Services	23,000	16,766 (73%)	23,000 (100%)
Other Services	439,000	339,346 (77%)	439,000 (100%)
Materials & Supplies	23,000	9,142 (40%)	17,000 (74%)
Other Expenses	70,000	35,844 (51%)	50,000 (72%)
Approved Operating Budget:	\$1,410,000	\$874,000 (62%)	\$1,137,000 (81%)

* 75% of FY Lapsed

The proposed FY 18/19 budget (Exhibit B) presents the Agency's anticipated expenditures for general administration, operations, and support costs for existing capital improvement projects. The Agency's activities are supported by the following resources: SJAFCA Fund, Federal Reimbursement Fund, Operations and Maintenance Fund, Smith Canal Assessment

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District Fund, the newly created Mossdale Tract Fund, and Cost-Share Agreements. These resources are described below:

SJAFCA Fund. The SJAFCA Fund includes money from unexpended bond proceeds, assessment fees collected by the City of Stockton and San Joaquin County for the Agency's former equalization fee program, earned interest, and funding from local cost-share partners for the Lower San Joaquin River Feasibility Study. Reimbursements from SJAFCA's Funding Agreement with the State for Regional Flood Management Planning are also included.

This Fund is used to pay for some of the Agency's operating costs, all of the Agency's project management and technical support for various capital improvement projects, and it was used to advance funds of approximately \$2 million for the Smith Canal Gate project before the assessment district had available proceeds to cover expenses. Advanced funding for the Smith Canal project will be reimbursed to the Agency at a later date after bonds are issued.

Federal Reimbursement Fund. This fund reflects reimbursement received from the U.S. Army Corps of Engineers for the Flood Protection Restoration Project (FPRP). The last reimbursement received was during FY 2010. The Agency may not receive further cash reimbursements for the Federal share of the FPRP; therefore, revenues are from earned interest only. This resource is also used to pay for some of the Agency's operating costs.

Operations and Maintenance (O&M) Fund. The O&M Fund accounts for money collected annually through the Agency's O&M assessment. The levy of this assessment provides resources for ongoing maintenance of the Agency's FPRP improvements. Each year, the Board reviews the Annual Engineer's Report and establishes the O&M assessments. The O&M budget for FY 18/19 is presented to the Board separately as Agenda Item 4.1.

Smith Canal Area Assessment District Fund. This fund accounts for money collected annually through the Smith Canal Area Assessment District to fund the Smith Canal Gate project. Assessment collection began in FY 14/15. The levy will assess 8,100 benefited parcels and will generate \$1.6 million during FY 18/19 that will be used to fund a portion of the local share of the project. The FY 18/19 Annual Engineer's Report for the Smith Canal Area Assessment District is presented to the Board separately as Agenda Item 4.2.

Mossdale Tract Fund. This fund was created as part of a Board-approved action through SJAFCA Resolution 18-06 on February 26, 2018, to address flood protection for the Mossdale Tract Area. The source of funding/loans are from member agencies: City of Stockton, San Joaquin County, City of Lathrop and City of Manteca. This fund will be used to pay for activities to advance the Mossdale Tract Program. The budget for this program is presented to the Board as Agenda Item 6.2.

Cost-Share Agreements. The Agency has collaborated with local reclamation districts and other government agencies for funding support via cost-share agreements. For example, the Agency received \$1.3 million from local cost share partners for the Lower San Joaquin River Feasibility Study. The Agency also cost-shared with Reclamation Districts 828 and 1614 and received about \$405,000 to help upfront the costs of preliminary studies and the formation of the Smith Canal Area Assessment District.

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A funding agreement with the Department of Water Resources (DWR) for Regional Flood Management Planning (RFMP) reimbursed the Agency \$1.4 million for its efforts with the 2017 Central Valley Flood Protection Plan update and the Basin-Wide Feasibility Study. This agreement reimbursed costs spent from the Agency's reserves (SJAFCA Fund).

Other funding agreements with DWR include those to support the Smith Canal Gate project. The Agency executed a \$2.4 million funding agreement under the State's Early Implementation Program to help fund design costs, and the Agency recently executed a funding agreement under the Urban Flood Risk Reduction (UFRR) program with the State for \$22.3 million to complete design and fund construction.

Present Situation

Operating Budget. The Agency's Operating Budget for FY 18/19 (Exhibit B), consists of the following categories described below:

- **SJAFCA Employee Services.** This category includes salary and benefits for 6 SJAFCA positions: Executive Director, Deputy Executive Director, Senior Civil Engineer, Associate Civil Engineer, Project Manager, and Secretary. All positions are City of Stockton positions with the exception of the Executive Director. It should be noted the Associate Civil Engineer position has been vacant for the last three fiscal years and the Executive Director position was not budgeted at full-time status during the previous nine years. The increase to Employee Services for FY 18/19 is due in part to budgeting all positions at full-time status. The total allocation of resources to support 6 full-time positions during FY 18/19 is \$944,000.
- **City Employee Services.** This category segregates City of Stockton staff expenses from SJAFCA positions and reflects a percentage of salary and benefit costs associated with accounting, budget and payroll. The current FY included an increase to this cost category due to anticipated assistance with financing activities for the Smith Canal Area Assessment District. This assistance was not implemented during the current year; however, staff anticipates this need for FY 18/19. The estimated cost for support services from City of Stockton staff is \$75,000
- **Other Services.** These expenses include professional services such as legal counsel, lobbying efforts, technical consultants, and annual auditing services. General liability, insurance premiums, equipment rental, computer tech support, postage, mailing, duplicating services, and file storage are included. Building rental charges from the City of Stockton are also included. The anticipated costs for Other Services for FY 18/19 is \$428,000.
- **Materials and Supplies.** This category includes expenses for general office supplies, computer software, the maintenance of the Agency's office scanner/copier equipment, and vehicle maintenance. The total anticipated cost for Materials and Supplies for FY 18/19 is \$23,000.
- **Other Expenses.** Other Expenses include costs for travel (including lobbying trips to Washington, D.C.), parking, staff development and training, professional

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memberships, permits/certifications, and web site maintenance. This category also includes the indirect costs incurred from the City of Stockton. The total anticipated cost for Other Expenses for FY 18/19 is \$60,000.

It should be noted that the FY 18/19 budget (attached Exhibit B) budgets all operating costs against the Agency's reserve funds. This approach has been taken in previous years and is a conservative approach given that the Agency has implemented a process whereby direct operating costs in support of specific programs (Smith Canal Project, Mossdale Tract Program, etc.) are directly allocated to those programs based on the level of effort for that program, e.g., staff hours. This allows the Agency to receive cost sharing for these expenses from SJAFCA's cost sharing partners (e.g., the State of California).

Given that staffing levels at SJAFCA are in flux, the illustrated Operating Budget in Exhibit B includes the full costs for all proposed positions. The Board can expect that there will be a true-up towards the end of the year which will result in a reduction to the fiscal year's Operating Budget. The budgets for the Smith Canal Project and the Mossdale Tract Program reflect an estimate for allocated SJAFCA staff time.

Capital Improvement Program (CIP) Budget. CIP costs expensed directly against the Agency's reserves include the Lower San Joaquin River Feasibility Study and Regional Flood Management Planning (RFMP). RFMP activities are pass-through expenses because SJAFCA's funding agreement with DWR covers 100% of all project related expenses. As shown on Exhibit B, there are no appropriation requests for CIP activities to be funded from the Agency's reserves for FY 18/19.

The Agency operates on reserves from the original SJAFCA project completed in 1998. Apart from O&M funds and funding received for the Smith Canal Gate project, there is no sustained long-term funding in place to support Agency operations indefinitely. In a technical memorandum prepared by Kjeldsen Sinnock Neudeck, Inc., which was shared with the Board during FY 14/15, it was forecasted that the Agency would exhaust its reserves and would not be able to support operations beyond 2020.

SJAFCA and the San Joaquin County Flood Control and Water Conservation District (District) executed a cost-share agreement, approved by the Board on July 16, 2015, to evaluate funding alternatives and implement a plan to secure future funding for both the District and the Agency. The District, as the lead agency for this effort, is working with Agency staff to finalize the preliminary assessment methodology report and public outreach plan. Prior to initiating a Proposition 218 balloting process, District and Agency staff will present the scope of work and cost to the Board. The current schedule would have District staff sending out ballots to voters in the Spring of 2019.

Summary

The estimated combined fund balance in the Agency's reserves (Federal Reimbursement Fund and SJAFCA Fund) at the beginning of FY 18/19 is \$3,071,468 (Exhibit B). The proposed FY 18/19 budget anticipates total operating costs to be \$1,530,000. Total operating costs will be true-up at year end to account for direct expenses allocated against other sources of funding based on the level of effort for those specific programs. The true-up will

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operating costs will be true-up at year end to account for direct expenses allocated against other sources of funding based on the level of effort for those specific programs. The true-up will result in a cost savings to the reserve fund balances. There are no requests for CIP activities to be funded from the Agency's reserves for FY 18/19. The estimated reserve fund balance at the end of FY 18/19 is \$1,556,468.

It is recommended the Board adopt a resolution approving the Agency's proposed FY 18/19 budget. Any new appropriations and/or adjustments to the proposed FY 18/19 budget will be brought back before the Board for consideration and approval.

PREPARED BY: Marlo Duncan



APPROVED:
ROGER CHURCWELL
ACTING EXECUTIVE DIRECTOR

RC:MD

Attachments

EXHIBIT A

FY 2017/2018 ADOPTED BUDGET (MAY 18, 2017)			
	Federal Reimb. Fund	SJAFCA Fund	Combined Estimated Fund Balance 7/1/2017
	\$ 910,327	\$ 3,110,403	\$ 4,020,730
Revenues			
Interest	\$ 2,500	\$ 4,500	\$ 7,000
Federal reimbursement			-0-
Total Estimated Revenues:	\$ 2,500	\$ 4,500	\$ 7,000
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services	\$ 598,500	\$ 256,500	\$ 855,000
City Employee Services	52,500	22,500	75,000
Other Services	176,000	263,000	439,000
Materials & Supplies	23,000	-0-	23,000
Other Expenses	35,000	35,000	70,000
Total Estimated Operating Expenses:	\$ 885,000	\$ 577,000	\$ 1,462,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
Technical Support			TBD
Total Capital Improvement Expenses:	\$ -0-	\$ -0-	TBD
Total Estimated Expenses:	\$ 885,000	\$ 577,000	\$ 1,462,000
Estimated Fund Balance June 30, 2018:	\$ 27,827	\$ 2,537,903	\$ 2,565,730

FY 2017/2018 UPDATED BUDGET (MAY 29, 2018)			
	Federal Reimb. Fund	SJAFCA Fund	Combined Actual Balance 7/1/2017
	\$ 1,042,831	\$ 3,143,637	\$ 4,186,468
Revenues			
Interest	\$ 5,500	\$ 16,500	\$ 22,000
Federal reimbursement			-0-
Total Estimated Revenues:	\$ 5,500	\$ 16,500	\$ 22,000
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services	\$ 598,500	\$ 256,500	\$ 855,000
City Employee Services	23,000	-0-	23,000
Other Services	176,000	263,000	439,000
Materials & Supplies	23,000	-0-	23,000
Other Expenses	35,000	35,000	70,000
Total Estimated Operating Expenses:	\$ 855,500	\$ 554,500	\$ 1,410,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
<i>No CIP Activities Budgeted to Reserves</i>			
	\$ -0-	\$ -0-	\$ -0-
Total Estimated Expenses:	\$ 855,500	\$ 554,500	\$ 1,410,000
NEW Estimated Balance June 30, 2018:	\$ 192,831	\$ 2,605,637	\$ 2,798,468

EXHIBIT B

FY 2018/2019 PROPOSED BUDGET			
	Federal Reimb. Fund	SJAFCA Fund	Combined Estimated Balance 7/1/2018
Estimated FY 17/18 Cost Savings:	\$ 192,831 273,000	\$ 2,605,637 -	\$ 2,798,468 273,000
	\$ 465,831	\$ 2,605,637	\$ 3,071,468
Revenues			
Interest	2,000	13,000	15,000
Federal Reimbursement	-0-	-0-	-0-
Total Estimated Revenues:	\$ 2,000	\$ 13,000	\$ 15,000
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services	188,800	755,200	944,000
City Employee Services	15,000	60,000	75,000
Other Services	207,335	220,665	428,000
Materials & Supplies	23,000	-0-	23,000
Other Expenses	33,696	26,304	60,000
Total Estimated Operating Expenses:	\$ 467,831	\$ 1,062,169	\$ 1,530,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
TBD			\$ -0-
Total Capital Improvement Expenses:	\$ -0-	\$ -0-	\$ -0-
Total Estimated Expenses:	\$ 467,831	\$ 1,062,169	\$ 1,530,000
Estimated Fund Balance June 30, 2019:	\$ -0-	\$ 1,556,468	\$ 1,556,468

RESOLUTION NO. SJAFCA 18-10

SAN JOAQUIN AREA
FLOOD CONTROL AGENCY

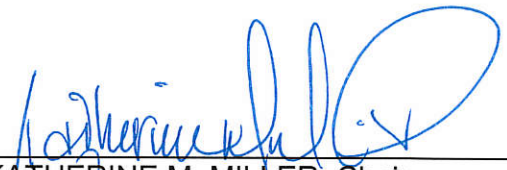
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BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SAN JOAQUIN AREA
FLOOD CONTROL AGENCY, AS FOLLOWS:

1. That the San Joaquin Area Flood Control Agency's 2018-2019 Proposed Budget is hereby approved and adopted, a copy of which is attached as Exhibit "A" and incorporated by this reference.
2. That any new appropriations and/or adjustments to the Agency's 2018-2019 fiscal year budget will be brought back before the Board for consideration and approval.

PASSED, APPROVED AND ADOPTED this 29th day of May, 2018.


KATHERINE M. MILLER, Chair
of the San Joaquin Area
Flood Control Agency

ATTEST:


ROGER CHURCHWELL, Acting Secretary
of the San Joaquin Area
Flood Control Agency

APPROVED AS TO FORM:

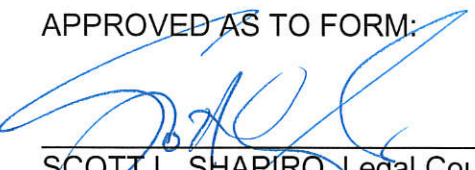

SCOTT L. SHAPIRO, Legal Counsel
for the San Joaquin Area
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