

May 18, 2017

TO: San Joaquin Area Flood Control Agency

FROM: James B. Giottonini, Executive Director

SUBJECT: **RESOLUTION TO APPROVE THE PROPOSED 2017/18 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 2017/18 budget for the San Joaquin Area Flood Control Agency.

DISCUSSION

Background

On May 19, 2016, the Board adopted SJAFCA Resolution No. 16-05 approving the Agency's proposed budget for fiscal year (FY) 16/17 (Exhibit A). Also, shown on Exhibit A is an updated budget with revised beginning fund balances and the following modifications to the Capital Improvement Program (CIP):

- \$150,000 for the non-Federal cost share to complete the Lower San Joaquin River Feasibility Study, authorized on September 15, 2016, per SJAFCA Resolution No. 16-08
- \$50,000 for technical support services authorized on November 17, 2016, per SJAFCA Resolution No. 16-11

A re-allocation of budget from Other Services to Materials and Supplies is included on the revised budget to cover expenses for the purchase of lateral filing cabinets for the Agency and to cover services to maintain the Agency's scanner/copier equipment.

As of March 31, 2017, with 75 percent of the FY lapsed, the Agency has spent less than 60% of the operating budget (see table below). Overall operating costs are expected to come in under budget and this is mainly due to a vacant position in SJAFCA.

FY 16/17 To-Date Operating Expenses and Year-End Estimate

	FY 16/17 REVISED Budget	16/17 Expenses As of 3/31/17*	Year-End Estimated Operating Expenses
SJAFCA Employee Services	\$ 870,000	\$ 487,025 (56%)	685,000 (79%)
City Employee Services	14,000	7,603 (54%)	11,000 (79%)
Other Services	408,000	256,832 (63%)	374,000 (92%)
Materials & Supplies	22,000	16,434 (75%)	22,000 (100%)
Other Expenses	70,000	40,678 (58%)	63,000 (90%)
Approved Operating Budget:	\$1,384,000	\$808,572 (58%)	\$1,155,000 (83%)

* 75% of FY Lapsed

AGENDA ITEM 4.2

RESOLUTION TO APPROVE THE PROPOSED 2017/18 BUDGET FOR THE SAN JOAQUIN AREA FLOOD CONTROL AGENCY

(Page 2)

The proposed FY 17/18 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 District 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. Reimbursement from the State per a Funding Agreement for Regional Flood Management Planning is 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 once 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 used to pay for most 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 17/18 is presented to the Board separately as Agenda Item 6.1.

Smith Canal 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 8,101 benefited parcels and will generate \$1.6 million dollars during FY 17/18 that will be used to fund the local share of the project.

The Annual Engineer's Report for the Smith Canal Area Assessment District is presented to the Board separately 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 has received a total of \$1.3 million from local cost share partners for the Lower San Joaquin River Feasibility Study. Another example is the Smith Canal project in which contributions of approximately \$405,000 were received from Reclamation Districts 828 and 1614 to help upfront the costs of preliminary studies and the formation of the Smith Canal Assessment District.

RESOLUTION TO APPROVE THE PROPOSED 2017/18 BUDGET FOR THE SAN JOAQUIN AREA FLOOD CONTROL AGENCY

(Page 3)

Funding Agreements with the Department of Water Resources for Regional Flood Management Planning (RFMP), and the Smith Canal Gate project reimburses SJAFCA for eligible project expenses. Activities related to RFMP are reimbursed at 100% (less 10% retention), and Smith Canal design expenses are reimbursed at 50% (less 10% retention). To date, the Agency has received \$1.33 million for RFMP activities and \$1.08 million for the Smith Canal Gate project.

Present Situation

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

- **SJAFCA Employee Services.** SJAFCA Employee Services includes salary and benefits for six 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. The total allocation of resources to support six positions during FY 17/18 is \$855,000.
- **City Employee Services.** This category segregates City of Stockton personnel expenses from SJAFCA positions and reflects a percentage of salary and benefit costs associated with accounting, budget and payroll. An increase to these expenses are expected during FY 17/18 for assistance with financing the Smith Canal Area Assessment District. Costs for FY 17/18 are estimated to be \$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, mail and postage, duplicating services, and file storage are also included. Building rental charges from the City of Stockton are included and will impact the coming year's budget by \$27,700. It should also be noted the City significantly increased its costs for computer tech support and the Agency will experience an increase of \$30,000 compared to the current year. The anticipated costs for Other Services for FY 17/18 is \$439,000.
- **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 17/18 is \$23,000.
- **Other Expenses.** Other Expenses include costs for travel (including lobbying trips to Washington, D.C.), parking, staff development and training, professional 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 17/18 is \$70,000.

Capital Improvement Program (CIP) Budget. Excluding activities related to the O&M Assessment District and the Smith Canal Gate project, ongoing CIP projects include the Lower San Joaquin River Feasibility Study, the combined Lower San Joaquin River and Delta South Regional Flood Management Plan Phase 2, and levee certification efforts for

RESOLUTION TO APPROVE THE PROPOSED 2017/18 BUDGET FOR THE SAN JOAQUIN AREA FLOOD CONTROL AGENCY

(Page 4)

the Bear Creek and Calaveras River levee systems. There is no appropriation request for CIP activities. Staff will come back to the Board with an action item if CIP funding is needed.

The Agency operates on reserves from the original SJAFCA project. 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. It appears this evaluation of the Agency's reserves is accurate.

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. The District, as the lead agency, completed a competitive consultant selection process. As a result, the District contracted with SCI Consulting Group, Inc., in mid-September 2016, to complete (i) preliminary cost allocation and assessment rate analysis, and (ii) public opinion research. District staff will report back to the Board the outcome of the assessment engineering and feasibility analysis which is estimated to be complete in about 4-5 months.

Summary

The estimated fund balance in the Federal Reimbursement and SJAFCA Fund at the beginning of FY 17/18 is \$4,020,730 (Exhibit B). This reflects the balance in the Agency's accounts that have not been committed to existing projects. The FY 17/18 proposed budget anticipates the Agency's total operating costs to be \$1,462,000. There is no request for CIP funding at this time.

The estimated reserve fund balance at the end of FY 17/18 is \$2,565,730.

It is recommended the Board adopt a resolution approving the Agency's proposed FY 17/18 budget.

PREPARED BY: Marlo Duncan



APPROVED:
JAMES B. GIOTTONINI
EXECUTIVE DIRECTOR

JBD:MD

Attachments

EXHIBIT A

FY 2016/2017 ADOPTED BUDGET (MAY 19, 2016)

	Estimated Fund Balance 7/1/2016	Federal Reimb. Fund	SJAFCA Fund
	¹ \$ 4,905,000	\$ 1,730,820	\$ 3,174,180
Revenues			
Interest	10,000	5,000	5,000
Federal reimbursement	-0-		
Total Estimated Revenues:	\$ 10,000	\$ 5,000	\$ 5,000
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services	870,000	870,000	-0-
City Employee Services	14,000	14,000	-0-
Other Services	419,000	192,300	226,700
Materials & Supplies	11,000	11,000	-0-
Other Expenses	70,000	53,700	16,300
Total Estimated Operating Expenses:	\$ 1,384,000	\$ 1,141,000	\$ 243,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
Technical Support	TBD		
Total Capital Improvement Expenses:	TBD	\$ -0-	\$ -0-
Total Estimated Expenses:	\$ 1,384,000	\$ 1,141,000	\$ 243,000
Estimated Fund Balance June 30, 2017:	\$ 3,531,000	\$ 594,820	\$ 2,936,180

¹ Balance includes \$1.8 million that will be reimbursed to SJAFCA for the advanced funding of the Smith Canal project.

FY 2016/2017 UPDATED BUDGET (MAY 18, 2017)

	Fund Balance 7/1/2016	Federal Reimb. Fund	SJAFCA Fund
	¹ \$ 5,365,730	\$1,817,327	\$3,548,403
Revenues			
Interest	10,000	5,000	5,000
Federal reimbursement	-0-		
Total Estimated Revenues:	\$ 10,000	\$ 5,000	\$ 5,000
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services (6) positions	870,000	870,000	-0-
City Employee Services	14,000	14,000	-0-
Other Services	408,000	181,300	226,700
Materials & Supplies	22,000	22,000	-0-
Other Expenses	70,000	53,700	16,300
Total Estimated Operating Expenses:	\$ 1,384,000	\$ 1,141,000	\$ 243,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
LSJRFs Study Completion	150,000		150,000
Technical Support	50,000		50,000
	\$ 200,000	\$ -0-	\$ 200,000
Total Estimated Expenses:	\$ 1,584,000	1,141,000	\$ 443,000
NEW Estimated Balance 6/30/2017:	\$ 3,791,730	\$ 681,327	\$ 3,110,403

¹ Balance includes \$1.8 million that will be reimbursed to SJAFCA for the advanced funding of the Smith Canal project.

EXHIBIT B

FY 2017/2018 PROPOSED BUDGET			
	Estimated Balance 7/1/2017	Federal Reimb Fund	SJAFCA Fund
	\$ 3,791,730	\$ 681,327	\$ 3,110,403
Estimated FY 16/17 Cost Savings:	229,000	229,000	-
¹	\$ 4,020,730	\$ 910,327	\$ 3,110,403
Revenues			
Interest	7,000	2,500	4,500
Federal Reimbursement	-0-		
Total Estimated Revenues:	\$ 7,000	\$ 2,500	\$ 4,500
Expenses			
<u>OPERATING BUDGET</u>			
SJAFCA Employee Services	855,000	598,500	256,500
City Employee Services	75,000	52,500	22,500
Other Services	439,000	176,000	263,000
Materials & Supplies	23,000	23,000	-0-
Other Expenses	70,000	35,000	35,000
Total Estimated Operating Expenses:	\$ 1,462,000	\$ 885,000	\$ 577,000
<u>CAPITAL IMPROVEMENT PROGRAM</u>			
Technical Support	TBD		
Total Capital Improvement Expenses:	TBD	\$-0-	\$-0-
Total Estimated Expenses:	\$ 1,462,000	\$ 885,000	\$ 577,000
Estimated Fund Balance June 30, 2018:	\$ 2,565,730	\$ 27,827	\$ 2,537,903

¹ The fund balance includes \$1.8 million that will be reimbursed to SJAFCA for the advanced funding of the Smith Canal project.

RESOLUTION NO. SJAFCA 17-07

SAN JOAQUIN AREA
FLOOD CONTROL AGENCY

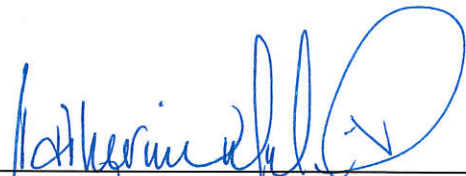
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RESOLUTION TO APPROVE THE PROPOSED 2017/18 BUDGET FOR
THE SAN JOAQUIN AREA FLOOD CONTROL AGENCY

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 2017-2018 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 2017-2018 fiscal year budget will be brought back before the Board for consideration and approval.

PASSED, APPROVED AND ADOPTED this 18th day of May, 2017.


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

ATTEST:


JAMES B. GIOTTONINI, Secretary
of the San Joaquin Area
Flood Control Agency

APPROVED AS TO FORM:

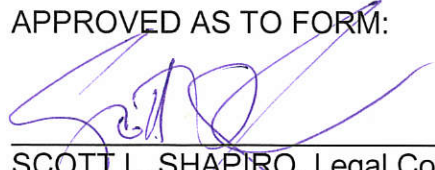

SCOTT L. SHAPIRO, Legal Counsel
for the San Joaquin Area
Flood Control Agency

EXHIBIT A

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