



KING COUNTY FLOOD CONTROL DISTRICT

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2012 BUDGET ISSUES

DATE: October 24, 2011

STAFF REPORT

SUBJECT:

FCD Resolution 2011-06 pertains to the adoption of a 2012 operating and capital budget by the King County Flood Control District (District). FCD Resolution 2011-07 is a technical resolution to establish substantial need for a property tax levy and Resolution FCD 2011-08 sets the 2012 property tax levy amount.

ACTION NEEDED:

The Executive Committee must put forward a budget for public review by October 26, including all components required by statute. The proposed budget must include revenue sources and property tax revenues and be divided into the following appropriation items:

- (1) Overhead and administration
- (2) Maintenance and operation
- (3) Construction and improvements

RIVISED SCHEDULE:

Date	Action
September 26	Executive Committee Budget Overview and Direction
October 13	Advisory Committee meeting on 2012 Budget
October 24	Regular Executive Committee meeting
October 26	Notice of Public Hearing
November 7	County Budget Hearing Potential Action on District Budget
November 14	Potential Action on District Budget

BUDGET BACKGROUND:

The Flood Control District Budget is funded primarily by a dedicated property tax. The following table shows the actual revenue to the District since its first year of operations from 2008 – 2010, according to the Flood District’s adopted Financial Statements. State law allows flood control zone districts a maximum property tax rate of 50 cents per thousand.

In 2007, the Flood District set a 10-cent per-thousand tax rate and since then has limited its revenue growth by the allowable value of new construction and an increase over the prior year’s levy by less than one-percent up to 1.8 percent. For the 2011 tax levy, the Flood District negotiated with fire districts and paid those Districts \$3.2 million to ensure that the Flood District’s levy would not be suppressed under the \$5.90 levy limit. For 2012, the Flood District is able to protect up to .25 cents of its capacity from being suppressed under the \$5.90 limit thereby avoiding the need to contract with fire districts and saving Flood District funds from being used to pay fire districts again.

Table 1. Actual Revenue History

Revenue Source	2008	2009	2010
Property Tax	33,864,957	34,977,844	35,506,475
Grants, Interest	782,688	672,298	547,157
Total Revenue	34,647,645	35,650,142	36,053,632

Despite the economic downturn that began in 2008, conservative revenue forecast assumptions have meant that the District’s actual revenue has not deviated significantly from the projected revenue.

Table 2. Property Tax Revenue Forecast from District Formation Compared to Actual Revenue (millions)

Year	Original Projection	Current Projection	Actual	Variance	Percentage Variance
2008	33.6		33.8	.20	Less than one percent better
2009	34.7		35.0	.30	Less than one percent better
2010	35.4		35.5	.10	Less than one percent better
2011	36.2	36.0		(.20)	Less than one percent below
2012	37.0	36.3		(.70)	Approximately 2% below original estimate

Table 3: 2012 Preliminary Property Tax Levy Limit Worksheet and Executive Recommended

	Levy Amount	Increase from Prior Year	Maximum Allowable	Increase from Prior Year
Last Year	36.0	.8 %		
2012 Executive Recommended	36.3	.6 %		
One percent option (approximate)	36.3	1.0%		
Two percent option (approximate)	36.8	2.0%		
			157, 865,231	336.59%

BUDGET ISSUES:

- Issue 1. Six-Year Capital Budget and Future Debt Financing
- Issue 2. River Safety Education
- Issue 3. Funding for New County Staff Positions in Support of the Flood District Work Program
- Issue 4. Risk Management Costs
- Issue 5. District Oversight Budget
- Issue 6. Modification to Subregional Opportunity Fund Allocations

Issue 1: Six-Year Capital Budget and Future Debt Financing

The Executive and Advisory Committee used conservative revenue projections in their recommended 2012 Capital Budget. No new grant funds were assumed after 2014. Due to the additions of new projects to the six-year Capital Improvement Program (CIP) such as the Seattle Elliott Bay Seawall, there is a projected deficit by 2017 of \$36 million assuming a 100% expenditure rate. (The equivalent of approximately one-year of property tax receipts.) The Board of Supervisors asked for recommendations from the Flood District’s Advisory Committee about how to fund the addition of the Seawall project to the CIP. The Advisory Committee considered deferring projects, long-term debt financing such as issuing bonds, and internal short-term borrowing. They recommended that the Board consider the use of short-term debt financing in future years as needed. Short term borrowing in this context would be a one-three year loan, made either from another fund within King County government or a one-year bond anticipation note from a financial institution.

Options:

Option 1: Accept Advisory Committee recommendations of the six-year CIP including projected short-term financing.

Option 2: Accept Advisory Committee recommendations and also require the Executive to propose a short-term borrowing strategy for Board consideration by March 31, 2012. Include this requirement as part of the District Work Program, Attachment A, to the 2012 Budget.

Option 3: Do not accept the Advisory Committee recommendations. Instead consider deferring projects. A list of potential projects to be deferred is included at the end of this report

Issue 2. River Safety Education

The Executive recommended budget includes \$50,000 to provide river safety education to the public. The Advisory Committee recommended against using District funds for this purpose.

In 2011 WLRD spent approximately \$5,900 for social networking ads connecting to King County's River Safety web page. This resulted in advertising being placed on Facebook pages based on demographic information from the recent Cedar River Recreational Use study. The advertising went to all users within 50 miles of Renton who were between the ages of 12-35.

The Executive recommends an expenditure of \$50,000 for a social marketing campaign to increase awareness of the risks inherent in rivers, build awareness of floodplain management practices and encourage increased individual responsibility for recreational safety. This proposed work would integrate with and enhance existing outreach efforts such as the large wood protocol and web information about the locations of placed wood.

Options:

Option 1: Accept Advisory Committee recommendation and do not fund river safety education.

Option 2: Accept Executive Budget recommendation and fund \$50,000 toward river safety education.

Option 3. Fund a lesser amount.

Issue 3. Funding for New County Staff Positions in Support of the Flood District Work Program

The staffing model used by King County to provide the technical services required under the Interlocal Agreement with the Flood District was developed in 2007. In 2012, the District will begin its 5th year of operations. From 2008-2010 the District acquired assets valued at \$42 million including land, construction in progress, levees and facilities, and machinery and equipment. Asset value will continue to increase given the nature of the District's mission.

The Executive is recommending the addition of six full time staff to increase the County’s staff capacity to 40 people. The Advisory Committee concurred with this recommendation after thorough analysis of costs, benefit, and alternative service delivery models. The analysis determined that contracting out and temporary employees would not meet the work program needs.

The total cost of the new staff, including salary and benefits and overhead is \$771,400. The capital budget would be charged for 55% of the cost and operating budget 45%.

Table 4: Executive and Advisory Committee Recommendation for Additional Staff

Position	Salary and Benefit	Overhead including countywide, department and division	Total Cost
Engineer 2- Green River	98,000	32,400	130,400
Construction Management and Inspection Engineer	108,000	32,400	140,400
Engineering Field Technician	92,000	32,400	124,000
Maintenance Engineer	92,000	32,400	124,400
Contracts Specialist	92,000	32,400	124,400
Policy/Program Analyst	95,000	32,400	127,400
Totals	577,000	194,400	771,400

Options:

Option 1: Accept Executive and Advisory Committee recommendation for all staff positions.

Option 2: Accept the Executive and Advisory Committee recommendation for the positions that support the six-year capital budget but condition the policy/program analyst position to be a limited-term position to meet 2012 Work Program needs only.

Option 3: Reduce Work Program and 6-year CIP to meet existing staff capacity.

Issue 4. Risk Management Costs

The District works closely with King County Risk Management to obtain flood insurance for the District. The District pays an annual premium and is also required to retain an insurance reserve of \$3.5 million. To date, the District has not paid direct charges from Risk Management for the time and services they provide to the District.

The County budget recommendation increases risk management charges as part of the County overhead costs. The Advisory Committee did not forward a recommendation on risk management charges.

The District’s risk-of-loss exposures include exposure to liability, accidental loss of real and personal property as well as human resources. The District’s operations involve a variety of high-risk activities including, but not limited to, construction and maintenance activities.

The District manages these risks with assistance from King County Risk Management Office in order to reduce the exposure from liability and accidental loss of property and human resources. The District reimburses the costs of insurance procured by the Risk Management Office. Insurance claims handled through the King County self-insured fund are billed to the District, as are payments to insurance carriers. Claim payments made, up to the deductible limit, are expensed by the District when paid by the Risk Management Office.

The District has \$100 million in excess liability insurance coverage through the County liability insurance program. The policy covers the District, its board members, employees and staff for liabilities up to \$97.5 million in limits subject to a \$3.5 million self insured retention. The District’s Board has approved a reserve of \$3.6 million in the 2011 budget. There were no claims against the District as of December 31, 2010.

Table 5: Insurance and Risk Management Charges

	District Oversight Budget	County Overhead Charge	Total
2011	75,000*	0	75,000
2012	75,000	470,618	545,618

*Prior years premiums were \$25,000

Options:

Option 1: Accept Executive recommendation of new overhead charges in the amount of \$470,618.

Option 2: Do not accept Executive overhead recommendation and negotiate a reduced calculation of overhead costs.

Issue 5. District Oversight Budget

The Executive and Advisory Committee recommend a status quo budget for District Oversight. I am proposing a revised allocation of staff costs to respond to Executive Committee members who have asked to see more efficiency in how the District is administered. This revision will yield a 35% efficiency improvement by increasing the number of staff support hours while not increasing the overall budget.

Table 6: District Oversight Revised Staff Model

Category	Adopted 2011	2012	Change	Estimated 2011 Hours	Estimated 2012 Hours
Management Services	185,000	167,500	(17,500)	972	1,428
Communications	65,000	52,500	(12,500)	375	408
Legal Counsel	82,000	95,000	13,000	315	400
Accounting (amendment needed for 2011)	65,000	95,000	30,000	400	550
Council Staff and other professional services	36,000	45,000	9,000		
State Auditor	15,000	15,000	0		
Expenses	25,000	3,000	(22,000)		
Insurance (amendment needed for 2011)		75,000	75,000		
Asset Transfer (<i>Interlocal Agreement Between Bellevue, King County, and the District resulting from the dissolution of the former South West Lake Sammamish Flood Control Zone District.</i>)		139,864	139,864		
Totals	473,000	687,864	214,864	2,062	2,786

Options:

Option 1: Accept Budget as recommended with revised staffing model.

Option 2: Maintain 2011 status quo budget with no changes to staff model.

Option 3: Shift additional funding and staffing responsibility to council staff.

Issue 6: Request from Lake Forest Park to Change their 2012 Subregional Opportunity Fund Project.

Lake Forest Park had been planning to defer their Subregional Opportunity Fund allocation for 2012 as reflected in Attachment G to Resolution FCD 2011-06. They would like to change the project for 2012 from deferring the funds to using the funds toward a home acquisition at the McAleer/Lyon Creek confluence near Town Center that has been a long-standing flooding problem

Options:

Option 1: Accept Lake Forest Park request to change their Subregional Opportunity Fund project for 2012.

Option 2: Do not accept the request.

Appendix I.

The list below is preliminary only and assumes that flood risk score is the sole determinant of capital budget adjustments. King County uses severity, consequence, urgency, opportunity and readiness as general categories of criteria for selecting, prioritizing and sequencing projects actions to address flood and channel migration risks.

Table 7: Potential Projects to be Deferred	Risks Addressed by Project	Risk Score
Lower Tolt River Acquisition (Tolt)	Cost-share of grant to acquire property behind existing levee, necessary to enable future setback.	66%
Tolt River Natural Area Floodplain Reconnection/Acquisition (Tolt)	Purchase two homes that are at risk from flood damages and reconfigure the downstream end of the Edenholm levee to improve flood conveyance.	66%
Pacific Right Bank Acquisition And Setback Berm (White)	Construct setback berm to reduce flood risks to residential area of Pacific.	66%
Reddington Setback Ph II (Green)	Extend existing levee to reduce risks to residential areas	68%
Mcelhoe/Person Levee (Snoqualmie)	Remove or set back part of levee to increase flood storage and conveyance and protect residential areas	68%
Rhode Levee Setback (Cedar)	Purchase homes along path of fastest, deepest flood flow and set back levee. Protects SR 169 and Cedar River trail.	71%
McAleer/Lyon Creek Channel Improvements (Lake Wa Tribs)	Channel improvements to reduce flooding of state highway, residential development, and commercial center. Cost-share of FEMA grant.	71%
Cedar Pre-Construction Strategic Acquisition (Cedar)	Acquisitions necessary for levee setbacks at multiple locations	73%
Cedar River Repetitive Loss Mitigation (Cedar)	Purchase or elevate residential structures subject to repetitive flood risks.	74%
Issaquah Creek Repetitive Loss Mitigation (Issaquah)	Acquire or elevate residential structures at risk of frequent flooding in and around the City of	74%

	Issaquah.	
Tolt River Repetitive Loss Mitigation (Tolt)	Acquire or elevate residential structures at risk of frequent flooding in and around the City of Issaquah.	74%
Herzman Levee Setback (Cedar)	Setback levee reduce erosive forces of the river on critical public facilities (Cedar River Trail/SR-169)	76%
Jan Road-Rutledge Johnson Levee Setbacks (Cedar)	Setback levee reduce erosive forces of the river on critical public facilities (Cedar River Trail/SR-169)	76%
Alpine Manor Mobile Home Park Neighborhood Buyout (Raging)	Acquisition of residential structures, and relocation of MHP residents, in an area that is subject to sudden channel migration.	76%
Timber Lane Village Home Erosion Buyouts (SF Skykomish)	Acquisition of residential structures in an area that is subject to flooding and sudden channel migration.	76%