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UPDATED STAFF REPORT FCD2023-10 TECHNICAL STRIKING AMENDMENT

Agenda Item:	6	Name:	Michelle Clark
Resolution No:	FCD2022-10	Date:	November 14, 2023

FCD2022- 10: A Resolution relating to the operation and finances of the King County Flood Control Zone District, adopting the 2024 budget and authorizing improvements.

The King County Flood Control District ("District") Advisory Committee ("Advisory Committee") met five times between March and August to provide policy advice on regional flood protection issues. The March meeting focused on "on-boarding" new members and informing them about the actions the Board of Supervisors took with the 2023 Budget. The rest of the Advisory Committee meetings focused on the District's expected revenue shortfall in future (see attached charts), an overview on the District's approaches to flood risk reduction by basin, briefings on the District's continued commitment to integrate floodplain management, updates related to the District's ongoing planning efforts, deliberations related to the District's 2024 Annual Budget, the 2024-2029 6-yr CIP, the nexus between flood risk reduction and equity and social justice, grant programs, the 2024 levy rate, bonding, and the District's financial policies.

The Advisory Committee recommended 2024 Budget ("Advisory Committee Recommended Budget") is \$124,220,431. The Advisory Committee Recommended Budget **does not** assume a 1% plus new construction increase in the levy rate.

The Operating Budget of \$15,808,156, is unchanged from 2023.

The Capital Budget of \$108,412,275, which is a \$26,459,382 increase from last year's capital budget recommendation of \$81,952,893, but slighter lower than the 2024 projection in last year's adopted 2023-2028 CIP. This recommendation includes two new capital projects:

1. May Valley 186th St Culvert (\$500,000) (Line 76 on Attachment H):
 Located in unincorporated King County near Renton, this project will

replace a culvert under 186th Avenue SE. This is a project from a budget proviso in the 2023 budget related to flooding in May Valley.

2. Progressive Investment Revetment (\$215,118) (Line 102 on Attachment H): Located in Renton, part of the Cedar River Capital Investment Strategy, this project consists of studies to conduct site specific landslide risk and a feasibility study to assess options to modify the Erickson Levee.

Issues to be Addressed

1. Projected Revenue Shortfall: Citing the District's projected revenue shortfall in 2025, the Advisory Committee emphasized the importance of continued investment in
 - a. The critical flood reduction facilities identified in the recommended 2024-2029 CIP;
 - b. The unfunded needs identified in District adopted Capital Investment Strategies on major rivers along with flood risk reduction facilities maintained by the Flood District, and the ongoing Lower Green River Corridor Flood Hazard Management Plan Programmatic Environmental Impact Statement;
 - c. The unknown repair needs resulting from future flood events and annual facility inspections; and
 - d. Maintaining a fund balance per the District's established fund balance policy.

The Advisory Committee urges the Board to consider addressing this projected revenue shortfall in the following three ways:

- Increase Annual Revenue
 - Study Bonding
 - Engage Advisory Committee in making a policy recommendation related to paradigm to delay implementation of capital projects while minimizing impact on residents of King County
2. Home Elevation Report Recommendations: work continues on analysis of the recommendations in the Home Elevation Report submitted by King County in April in response to a 2023 budget proviso
 3. Updated Financial Forecast: The August financial forecast will change the WRIA grant and Sub Regional Opportunity Fund allocations and may require a change to Attachment H and an updated Financial Plan.
 4. Ongoing Work on Capital Projects and Low-Flow Facility Inspections: Ongoing work including projects reaching the next "gate" or design milestone and low-flow facility inspections may necessitate a change in Attachment H.

Staff Recommended Striking Amendment FCD2023-10 S1

Staff is recommending the Striking Amendment S1 that contains technical amendments including changes to capital projects related to new information from District service providers, the operating budget recommendation remains unchanged. The recommended 2024 budget is \$130,085,686. These changes are:

1. Projects from the Flood District's Improving Access to Isolated Neighborhoods during Flood Events Phase 1: The following 4 projects are being implemented by King County, Roads Services Division of the Department of Local Services as the District's service provider. The District promulgated a report in February of 2015 that identified neighborhoods in unincorporated King County that are isolated during flood events.
 - a. Tate Creek Scour Feasibility (\$350,000) (Line 25 Attachment H): Located in unincorporated King County near North Bend, this project is a feasibility analysis to repair bank erosion and gaps in the flood facility protecting a heavily used county road, 428th Ave SE.
 - b. Snoqualmie Valley Feasibility (\$500,000) (Line 38 Attachment H): Located in unincorporated King County near Duvall, this project analyses four major roadways to determine the feasibility of raising roadways above the 100-yr flood plain. This additional money will be used to complete the alternatives analysis.
 - c. Cedar River Downstream 2024 Improvement (\$50,000) (Line 87 Attachment H): Located in unincorporated King County near Renton, this project will alleviate roadway flooding by raising the road.
 - d. Green Valley Improvement 2024 (\$50,000) (Line 127 Attachment H): Located in Auburn, this project will alleviate roadway flooding.
2. Lower Cedar Feasibility Study (\$5,000) (Line 101 Attachment H): As part of the Cedar CIS, this study quantifies the economic damage potential to the City of Renton and determine infrastructure modifications to improve flood resiliency and sediment storage potential.
3. Covington Creek Black Diamond (\$475,000) (Line 120 Attachment H): Located in Black Diamond, this project removes a clogged culvert replacing it with a bridge to eliminate obstructions for water flow and allow for fish passage.

The staff recommend Striking Amendment addresses the Advisory Committee recommendations in the following sections:

1. Creation of an Orientation Program for New Advisory Committee Members (Section 6 of Striking Amendment): Directs the executive director to develop an orientation program to "on-board" new members of the District Advisory Committee.
2. King County's Update to Flood Management Plan (Section 8): Directs the executive director and King County water and land resources division to provide regular updates to and seek the advice of the members of the District Advisory Committee related to the update of King County's Flood Management Plan.
3. Projected Revenue Shortfall (Section 9 of Striking Amendment S1): Directs the executive director and King County Water and Land Resources Division to work with the Advisory Committee to provide the District with policy guidance related to bonding and project prioritization in the event of project reductions or delays in project implementation as a result of projected revenue shortfalls.

Budget Timeline

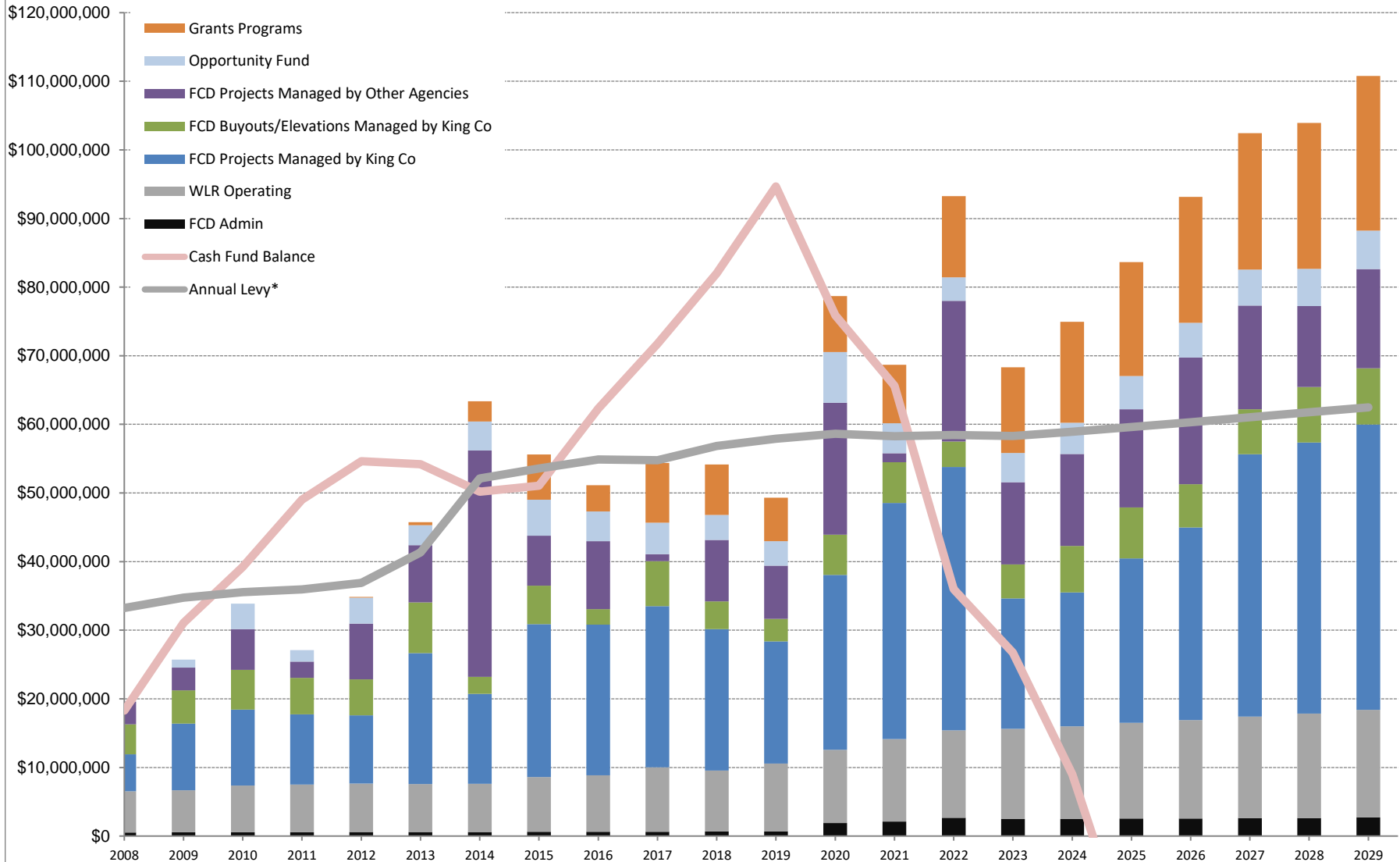
October 11, 2023	FCD Executive Committee Special Meeting – 1:00 pm <ul style="list-style-type: none"> • Briefing on 2024 FCD Budget
October 18, 2023	FCD Executive Committee Regular Meeting – 1:00 pm <ul style="list-style-type: none"> • Consideration of 2024 FCD Budget and recommendation to the full board
November 7, 2023	FCD Full Board Special Meeting – 1:30 (after Full Council) <ul style="list-style-type: none"> • Briefing on 2023 FCD Budget, discussion of potential amendments, potential passage
November 14, 2023	FCD Full Board Regular Board Meeting – 1:30 (after Full Council; if necessary) <ul style="list-style-type: none"> • Consideration of amendments, and budget passage

Staff will continue to work with Supervisors, and jurisdiction staff related to technical adjustments, policy initiatives, and emerging issues.

Attachments: 2024 Financial Plan and Expenditure Graph

DRAFT: Actual and Forecasted Flood District Expenditures by Type

October 17, 2023



*Annual levy assumes an increase for new construction only in 2021-2027; no 1% increase. See the financial plan for negative cash balances in 2026-2027.

King County Flood Control District

Flood Program Financial Plan: 2024 Budget and 6-Year CIP

10/17/2023

	2022 Actual	2023 Adopted	2023 Revised	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Beginning Balance	65,577,634	53,590,088	35,994,288	26,719,546	9,016,370	(17,010,045)	(52,171,986)	(96,400,625)	(141,959,204)
Revenue									
Flood District									
Flood District Levy ¹	58,460,577	58,880,026	58,291,226	58,938,423	59,613,939	60,318,040	61,031,449	61,752,133	62,477,331
Interest Earnings ²	735,782	519,771	403,856	299,793	101,164	(190,853)	(585,370)	(1,081,616)	(1,592,783)
Miscellaneous Revenue ³	305,291	250,000	250,000	250,000	250,000	250,000	250,000	250,000	270,000
King County									
Grants ⁴	4,151,639	0	3,000,000	0	0	0	0	0	0
Miscellaneous Revenue ⁵	40,353	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Total Revenue	63,693,643	59,464,890	61,975,082	59,518,217	59,995,103	60,407,187	60,726,079	60,950,517	61,184,548
Expenditure									
District Administration ⁶	(2,679,165)	(2,488,637)	(2,488,637)	(2,488,637)	(2,563,296)	(2,563,296)	(2,640,195)	(2,640,195)	(2,719,401)
Operating Expenditure	(12,745,396)	(15,808,156)	(16,062,156)	(15,808,156)	(16,282,400)	(16,770,872)	(17,273,998)	(17,792,218)	(18,325,985)
Capital Expenditure ⁷	(77,852,428)	(47,656,893)	(52,699,031)	(58,924,600)	(67,175,822)	(76,234,959)	(85,040,525)	(86,076,683)	(92,378,306)
Total Expenditure	(93,276,989)	(65,953,686)	(71,249,824)	(77,221,393)	(86,021,518)	(95,569,127)	(104,954,718)	(106,509,096)	(113,423,692)
Ending Fund Balance (Cash)	35,994,288	47,101,292	26,719,546	9,016,370	(17,010,045)	(52,171,986)	(96,400,625)	(141,959,204)	(194,198,348)
<i>Target Fund Balance</i>	0	0	0	0	0	0	0	0	0
<i>Budgetary Carryover Reserves</i>	(259,265,534)	(253,850,899)	(213,740,736)	(266,605,029)	(330,739,057)	(415,493,685)	(541,914,204)	(553,108,020)	(531,767,557)
Ending Budgetary Fund Balance ⁸	(223,271,246)	(235,121,485)	(187,021,190)	(257,588,658)	(347,749,103)	(467,665,671)	(638,314,830)	(695,067,224)	(725,965,905)

Flood Program Financial Plan: 2024 Budget and 6-Year CIP

Notes:

- ¹ Property tax forecast provided by the Office of Economic and Financial Analysis in August 2023, less undercollection assumption of 1%.
- ² Future interest earnings approximated using the ration of prior year interest to prior year fund ending fund balance.
- ³ District miscellaneous revenue due to multiple sources such as state forest sales, private timber harvest tax, unrealized investments, leashold excise taxes, and immaterial corrections from prior years.
- ⁴ Grant revenue is assumed only for grants that have been awarded or where an award is likely and imminent.
- ⁵ Miscellaneous revenue due to multiple sources such as state forest sales, private timber harvest tax, rent from tenants of acquired real estate, and immaterial corrections from prior years.
- ⁶ Costs based on contract established under FCD 2008-07 for District executive services, and inflated at 3% in succeeding years.
- ⁷ In general, construction projects assume inflationary increases of 3% per year.
- ⁸ The budgetary fund balance assumes 100% expenditure of all budgeted amounts and is used to understand the District's total budgetary commitment.
- ⁹ The capital expenditure is equal to the expenditure rate times the sum of the new capital appropriation and carryover. Rationale for the expenditure rates forecasted for A-E in the capital program is as follows:
 - A. Based on prior year experience and knowledge of existing staff capacity to implement construction projects implemented by WLR Division.
The expenditure rate increases at the end of the six years as new appropriation decreases and carryover projects are completed.
 - B. Based on prior year experience for acquisitions and home elevations, where expenditure patterns are strongly influenced by factors such as landowner willingness. Rate shown here is similar to the expenditure rate for acquisition-focused funds such as King County's Conservation Futures Trust (CFT).
 - C. Based on increase from past expenditure rates as city projects move through the engineering design phase toward construction.
 - D-E. Based on prior year experience with expenditure rates for these capital grant programs, which have a 2-3 year minimum time lag between appropriation and expenditures due to funding allocation decision-making process, execution of agreements for awarded projects, and reimbursement of eligible expenditures during or following implementation by the grant recipient.
While the Opportunity Fund does not require time for an allocation process, many jurisdictions choose to accrue funding over multiple years which limits the expenditure rate.
Note that a constant expenditure rate results in increased expenditures as unspent allocations are carried over each year.
- ⁸ The Unreserved Fund Balance is the remaina balance less reserves described in resolution FCD2016-21.1 adopting a fund balance reserve policy. While the policy provides general guidance on types of reserves, it does not specify their
- ¹⁰ Total New Capital Appropriation corresponds to the "Grand Total" shown in each year on Attachment H.