KING COUNTY FLOOD CONTROL DISTRICT
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# REVISED STAFF REPORT

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| **Agenda Item:** | 6 | **Name:** | Michelle Clark |
| **Resolution No:** | **FCD2024-12** | **Date:** | November 12, 2024 |

**FCD2024-12: A Resolution relating to the operation and finances of the King County Flood Control Zone District, adopting the 2025 budget and authorizing improvements.**

## Budget Process Background

The King County Flood Control District ("District") Advisory Committee ("Advisory Committee") is comprised of 14 elected executives or councilmember alternates and 1 unincorporated areas representative. The Advisory Committee provides policy recommendations to the District and recommends an annual budget and 6-yr CIP. They generally meet four to five times a year, mostly in the summer months, and per Ordinance 15728, must transmit their budget recommendations to the District by the last business day of the year. The transmittal of the Advisory Committee's Recommended Budget "kicks off" the Distict's annual budget process.

The District budgets annually and sets its levy rate every year as part of the annual budget. The District has the ability to levy up to $0.50/$1,000 AV per statue, however, because of levy suppression, in reality the District can levy up to $0.22/$1,000 AV. The levy rate for 2024 is $0.072/$1,00 AV.

## Advisory Committee Recommended Budget

The Advisory Committee met four times to provide the District with policy advice on regional flood protection issues. They received briefings on an overview on the District's approaches to flood risk reduction by basin and the District's continued commitment to integrate floodplain management, updates related to the District's ongoing planning efforts, deliberations related to the District's 2025 Budget and, 2025-2030 6-yr CIP. The focus of each Advisory Committee meeting and deliberations was the District's expected revenue shortfall and the need to ensure the District's work implementing critical flood reduction projects protecting the people and economy of King County continue.

The Advisory Committee recommended 2025 Budget is $132,152,588. The Advisory Committee Recommended Budget **does not** assume a 1% plus new construction increase in the levy rate increase from the levy rate of $58,495615 in 2024.

The Operating Budget of $162,282,400, is a slight increase of $474,244 from 2024.

The Capital Budget of $113,381,551, is a small $1,192,658 increase from last year's capital budget recommendation of $112,188,893. While 2025-2030 6-yr CIP contains no new projects for 2025, there are four new capital projects projected to begin in 2026 (Brassfield Revetment 2020 Repair, McDonald Levee 2020 Repair, Maplewood Revetment 2020 Repair, and Dorre Don Revetment 2020 Repair, Attachment H Lines 84-87): FEMA reimbursement for these repair projects along the Cedar River resulting from the 2020 flood season has been secured.

## Advisory Committee Policy Recommendations

### 1. Increase District Revenue.

The Advisory Committee restated their concern that District projected capital expenditures as outlined in the 2025-2030 6-yr CIP exceed District resources of fund balance and revenue beginning in 2025. Citing the District's projected revenue shortfall in 2025, the Advisory Committee emphasized the regional importance of continued investment in:

a. The critical flood reduction facilities identified in the recommended 2025-2030 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. Lage investments in our regional infrastructure including the Black River Pump Station improvements;
d. Ongoing maintenance obligations associated with King County’s flood risk reduction facilities; and
e. The unknown repair needs resulting from future flood events and annual facility inspections.

Noting the District has not increased its annual levy since 2014 nor taken the allowable 1% plus new construction increase since 2019, the Advisory Committee recommends the District increase revenue through a levy increase in 2025 sufficient to maintain a positive cash fund balance for the duration of the 2025-2030 CIP.

The Advisory Committee discussed the reality that District capital needs extend beyond the 6-yr CIP and the critical importance of the District continuing to provide flood risk reduction benefits to the residents of King County for the foreseeable future. District Capital Investment Strategies include many large long-term capital projects such as the Black River Pump Station Capital Investment Strategy, the Pacific Right Bank Flood Reduction Project, and the Lower Frew Levy Setback Project. The Advisory Committee recommends the District develop and implement a bonding policy.

**Policy Decisions**

- Should the District increase revenue with a levy increase in 2025?
- Should the District develop and implement a bonding policy in 2025?

## 2. Expenditure Reductions

The Advisory Committee discussed the critical role the District plays in reducing flood risk county-wide beyond the 6-year CIP and recognized the District may need to consider expenditure reductions. They appreciate the work the District has done to implement flood risk reduction projects and spend down the accumulated undesignated fund balance. The conversations and deliberation included the possibility of bonding for large capital projects such as the Black River Pump Station Capital Investment Strategy, the Pacific Right Bank Flood Reduction Project, and the Lower Frew Levy Setback Project. The Advisory urges the District to apply a transparent process for prioritizing investments in the regions county-wide flood risk reduction facilities. They expect to reconvene in the first quarter of 2025 to recommend such reductions to the mid-year budget, should it become necessary. Additionally, the Advisory Committee recommends implementing the following policies for District investment in flood risk reduction infrastructure:

a. Capital Projects
    i. Establish a process to evaluate options to reduce impediments to implantation when two consecutive milestones are missed, these options include amending the project schedule and working with permitted agencies such as the United States Army Corps of Engineers and Washington State Department of Fish and Wildlife, and the local jurisdiction;
    ii. Establish a timeline to charter new projects;
    iii. Establish a moratorium on adding new projects to the 6-yr CIP except for emergencies; and
    iv. Limit construction projects on the 6-yr CIP to facilities along the major rivers in the county and/or in the King County Rivers Inventory.

b. Grants
    The Advisory Committee continues to support the District's grant programs addressing non-riverine flood reduction and habitat needs county-wide. In addition to requiring a nexus to flood risk reduction for all grant programs, the Advisory Committee recommends the District implement the following best practices in the administration of its grant programs:
    i. Limit extensions of grants to extenuating circumstances;
    ii. Requiring documented "readiness" to begin using grant funds;
    iii. Limit grant awards to the requested amount; and
    iv. Require applicants to substantially spend grant awards prior to the award of additional funds for the same project.

**Policy Decisions**

- Should the District implement the Advisory Committee recommendations related to capital projects and project delivery?
- Should the District implement the Advisory Committee recommendations related to the administration of its grant programs?

**Outstanding Issues**

Staff will continue to work with Supervisors, and jurisdiction staff related to technical adjustments, policy initiatives, and emerging issues. This includes potential changes related to:

1. **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.
2. **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.

**Budget Process Timeline**

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|---|---|
| **October 2, 2024** | FCD Executive Committee Regular Meeting – 1:30 pm<br>• Discussion on 2025 Budget and 6-yr CIP<br>• Send to Full Board of Supervisors **without recommendation** |
| **October 8, 2024** | FCD Full Board Regular Meeting – 1:30 pm (immediately after King County Council meeting)<br>• **First briefing** on 2025 Budget and 6-yr CIP<br>• **Second briefing** on District revenue forecast |
| **October 15, 2024** | FCD Full Board Special Meeting – 1:30 pm (immediately after King County Council meeting)<br>• **Second briefing** on 2025 Budget and 6-yr CIP and follow-up on Supervisor questions<br>• Discussion of potential amendments<br>• **Third briefing** on District revenue forecast and follow-up on Supervisor questions |
| **October 22, 2024** | FCD Full Board Special Meeting – 1:30 pm (immediately after King County Council meeting, if necessary)<br>• **Third briefing** on 2025 Budget and 6-yr CIP and follow-up on Supervisor questions<br>• Discussion of potential amendments<br>• **Fourth briefing** on District revenue forecast and follow-up on Supervisor questions |
| **November 12, 2024** | FCD Full Board Regular Meeting – 1:30 pm (immediately after King County Council meeting)<br>• Board Action on 2025 Budget and 2025 Levy Rate Resolution |

**Questions Asked by Board at October 8, 2024 Meeting with Staff Responses**

1. **How much tax revenue is generated by each Supervisor District?**
   **Staff response:** The attached document titled, "Flood Control District Expenditures and Tax Levy by Jurisdiction" provides both the expenditures and amount generated by the tax levy from 2008-2023 for each jurisdiction within the bounds of the Flood Control District.

2. **What are the expenditures and appropriation types per each Supervisor District?**
   **Staff response:** In addition to the attached document titled, "Flood Control District Expenditures and Tax Levy by Jurisdiction" which provides the total expenditures by jurisdiction, the attachment titled, "DRAFT: Flood District Appropriation by Jurisdiction and Project Type" provides further detailed information about the amount and type of appropriation expended by jurisdiction from 2008-2023.

3. **Board requested tax levy scenarios beginning with currently levy plus 1% and additional examples of increased tax levy rates plus 1%.**
   **Staff response:** The attachment titled, "Levy Scenarios with 1% Increase" provides a look at the impact to the 6-year CIP projections utilizing four scenarios: existing levy +

1%; 3-cent increase + 1%; 4-cent increase + 1%; and 5-cent increase + 1%.

Under the first scenario of existing levy + 1%, the District fund balance in 2025 will be in the red with a projected shortfall of $21.2 million. The 3-cent increase + 1% predicts a projected shortfall of $9.7 million in 2026. The 4-cent increase + 1% predicts a projected shortfall of $$19.3 million in 2027. The 5-cent increase + 1% predicts a projected shortfall of $18.1 million in 2028.

4. **What would cuts to expenditures look like at each of the tax levy scenarios?**
   **Staff response:** Under the scenario of the existing levy + 1%, immediate cuts would be required to multiple projects anticipated to go into construction in 2025, thereby delaying multiple projects that are near construction ready, and a re-prioritization of the remainder of the 6-year CIP would also be required to reduce expenditures in 2026 and beyond. Given none of the scenarios completely solves the issue of projected revenue shortfalls, staff advises a tax levy increase in 2025, allowing the 2025 construction projects to move forward, together with recommendations to reduce or slow expenditures moving forward in the 2026 and beyond. To accomplish this, staff further advises the Board to provide staff guidance to initiate and complete in 2025 a thorough review of the 6-year CIP list, including robust discussions with King County, as the District's largest and primary Service Provider, and the Advisory Committee, to bring forward recommendations to reduce expenditures and/or re-prioritize projects to slow expenditures moving forward from 2026.

5. **Can the District provide loans to jurisdictions based on projected revenues for future Subregional Opportunity Fund Grants?**
   **Staff response:** Staff advises against this type of an approach as it is legally ill-advisable to attempt to bind to the fiscal decisions of future Boards. However, if staff understands the primary concern for this Board question to be that some jurisdictions are holding on to and annually carrying over Subregional Opportunity Fund moneys in an effort to build a large enough balance to implement a particular project, then staff advises a potential solution for the Board to consider would be to increase the annual Subregional Opportunity Fund contribution per jurisdiction. The current policy of providing each jurisdiction annually either $10,000 or 10% of the revenue generated from the jurisdiction, whichever is greater, was established in 2014, which was the last time the Board increased the tax levy for the District.

## Chair's Striking Amendment

The 2025 Budget in the Chair's Striker is $115,202,588 which is a slight decrease of the $132,152,588 as recommended by the Advisory Committee. The recommended Operating Budget of $16,282,400 is unchanged from the Advisory Committee's recommendation. The recommended Capital Budget is $96,431,551 which is a $16,950,000 reduction from the Advisory Committee's recommendation of $113,381,551. This reduction is primarily the result of the USACE-led Desimone Project expenditures moving to 2026. The changes contained in the Chair's Striker are as follows:

1. Reaffirms the District's commitment to continue flood risk reduction countywide. The District is not limiting the types of projects it can do nor instituting a moratorium on adding projects to the 6-yr CIP as recommended by the Advisory Committee:
    a. Whereas statement acknowledging the District's work to address flood risk reduction **countywide** (lines 22-26), and
    b. Directing District executive director to continue implementing flood reduction projects **countywide** (lines 65-69).

2. Directs the development of a district bonding policy by April 17, 2025 (lines 70-73).

3. Directs a complete review of our 6-yr CIP and recommend a paradigm to reduced expenditures and/or re-prioritize projects to align them with District revenue projects. This work will involve King County and then the Advisory Committee. These recommendations will come to the Board by June 30, 2025 (lines 74-82).

4. Directs a complete review of our 6-yr CIP and recommend a paradigm to reduced expenditures and/or re-prioritize projects to align them with District revenue projects. This work will involve King County and then the Advisory Committee. These recommendations will come to the Board by June 30, 2025 (lines 74-82).

5. Continues the requirement of quarterly updates on the Sammamish CIS (lines 83-85).

6. Continues requirement to keep the Advisory Committee updated on District activities (lines 86-89).

7. Directs the negotiation of an amended ILA with Bellevue for the Factoria Blvd project and increases the project budget by $3.1M (lines 90-91).

8. Includes the 5 parcels in the unincorporated area along the Duwamish (Sliver by the River) into the home elevation program (lines 93-96).

9. Directs King County to develop recommendations to prioritize properties that are eligible for the home elevation program based on risk, severity, and consequence by September 1, 2025 (lines 97-100).

10. Directs development of a Lower Green River Plan and Capital Investment Strategy based on Alternative 3 of the PEIS and adds $900K to the project for the plan development (lines 101-106).

11. Directs development of a Lower Green River Plan and Capital Investment Strategy based on Alternative 3 of the PEIS and adds $900K to the project for the plan development (lines 101-106).

12. Directs King County to continue working on the Snoqualmie Valley Feasibility Study (lines 107-108).

13. Directs King County to update the Isolated Neighborhoods During Flood Events (lines 109-112).

14. Directs King County to provide a semi-annual report on the status of recruitment and hiring of all District funded positions (lines 113-115).

15. Directs all District service providers to provide a monthly report updating the District on the status of District funded projects (lines 116-119).

16. Attachment A District Workplan does not require any new budget authority for District Administration and includes:
    a. District communication activities
        i. Redesign of Be Flood Ready Brochure ($108,700)
        ii. District branded materials as recommended by Public Health Navigators ($20,000)
        iii. District videos ($60,000)
            1. District mission
            2. Flood preparedness
    b. Sponsorship in NASFMA ($5,000); and
    c. Administer grants in accordance with industry best practices.

The Chair's Striking Amendment assumes a $0.04/$1,000 AV increase in the levy rate as reflected in FCD2024-13. The attached Financial Plan and Expenditure Graph reflect this proposed 4 cent increase in the 2025 levy rate.

Attachments: 2025 Financial Plan
Expenditure Graph

# King County Flood Control District

## Flood Program Financial Plan: 2025 Budget and 6-Year CIP (4-Cent Levy Rate Increase)

11/7/2024

| | 2023 Actual | 2024 Adopted | 2024 Revised | 2025 Projected | 2026 Projected | 2027 Projected | 2028 Projected | 2029 Projected | 2030 Projected |
|---|---|---|---|---|---|---|---|---|---|
| **Beginning Balance** | 34,267,954 | 26,719,546 | 25,698,123 | 1,489,819 | 15,415,782 | (12,111,162) | (48,558,114) | (79,535,346) | (121,008,802) |
| **Revenue** | | | | | | | | | |
| Flood District | | | | | | | | | |
| Flood District Levy [1] | 58,557,985 | 58,938,423 | 58,495,615 | 91,980,155 | 92,743,237 | 93,508,574 | 94,276,821 | 95,038,931 | 95,817,393 |
| Interest Earnings [2] | 1,592,050 | 299,793 | 1,193,906 | 69,215 | 716,200 | (562,671) | (2,255,955) | (3,695,122) | (5,621,931) |
| Miscellaneous Revenue [3] | 286,159 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 | 250,000 |
| King County | | | | | | | | | |
| Grants [4] | 917,054 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Miscellaneous Revenue [5] | 40,315 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Total Revenue | 61,393,563 | 59,528,217 | 59,979,521 | 92,339,371 | 93,749,436 | 93,235,903 | 92,310,866 | 91,633,809 | 90,485,462 |
| **Expenditure** | | | | | | | | | |
| District Administration [6] | (2,379,060) | (3,438,637) | (2,488,637) | (2,488,637) | (2,563,296) | (2,563,296) | (2,640,195) | (2,640,195) | (2,719,401) |
| Operating Expenditure | (14,230,984) | (16,433,156) | (15,808,156) | (16,282,400) | (16,770,872) | (17,273,998) | (17,792,218) | (18,325,985) | (18,875,764) |
| Capital Expenditure [7] | (53,353,349) | (59,044,600) | (65,891,032) | (59,642,371) | (101,942,212) | (109,845,560) | (102,855,685) | (112,141,085) | (109,296,602) |
| Total Expenditure | (69,963,394) | (78,916,393) | (84,187,824) | (78,413,408) | (121,276,381) | (129,682,855) | (123,288,098) | (133,107,265) | (130,891,767) |
| **Ending Fund Balance (Cash)** | **25,698,123** | **7,331,370** | **1,489,819** | **15,415,782** | **(12,111,162)** | **(48,558,114)** | **(79,535,346)** | **(121,008,802)** | **(161,415,108)** |
| *Target Fund Balance* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* | *0* |
| *Budgetary Carryover Reserves* | *(213,086,418)* | *(253,850,899)* | *(279,571,244)* | *(316,360,424)* | *(438,058,899)* | *(577,562,857)* | *(600,976,509)* | *(593,934,182)* | *(565,461,758)* |
| **Ending Budgetary Fund Balance [8]** | **(187,388,294)** | **(235,121,485)** | **(278,081,425)** | **(300,944,642)** | **(450,170,062)** | **(626,120,971)** | **(680,511,855)** | **(714,942,984)** | **(726,876,866)** |

## Flood Program Financial Plan: 2025 Budget and 6-Year CIP (4-Cent Levy Rate Increase)

**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).

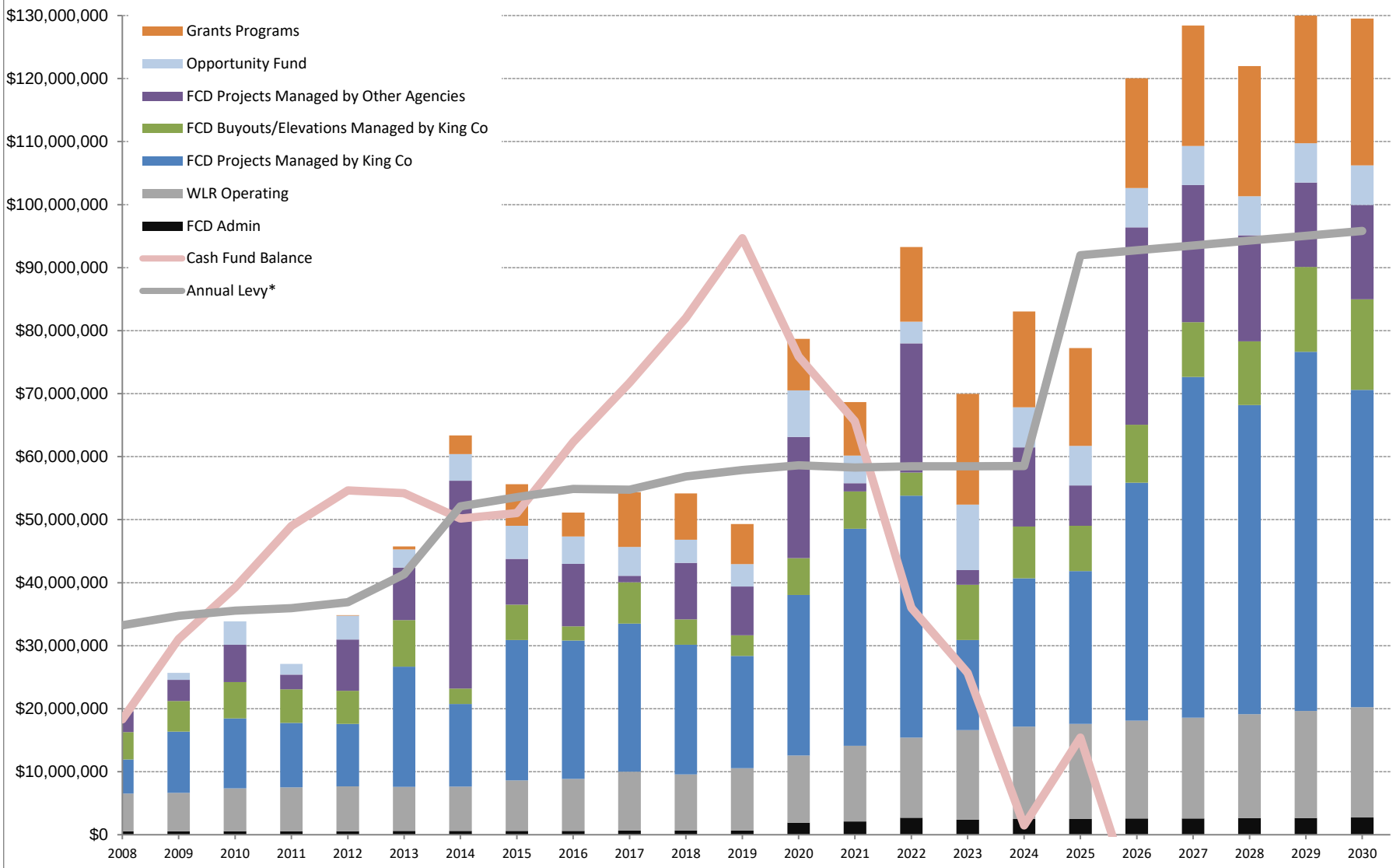
C. Based on increase from past expenditure rates as city projects move through the engineering design phase toward construction.

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 remaing 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 quantification. The
10 Total New Capital Appropriation corresponds to the "Grand Total" shown in each year on Attachment H.

# DRAFT: Actual and Forecasted Flood District Expenditures by Type

4 Cent Levy Rate Increase
November 7, 2024




*Annual levy in future years assumes an increase only for new construction; no 1% increase. See the financial plan for negative cash balances in 2025-2030.