



REVISED STAFF REPORT

Agenda Item:	7	Name:	Michelle Clark
Proposed Legislation:	FCD2024-08	Date:	June 11, 2024

Proposed Resolution: A RESOLUTION relating to the operation and finances of the King County Flood Control Zone District; adopting a revised 2024 budget, operating budget, capital budget, six-year capital improvement program for 2024-2029; and amending Resolution FCD2023-10.

Introduction

The purpose of the King County Flood Control District’s (District) mid-year budget revision is to address two main objectives:

- (1) Adopt (or “carryover”) \$210.9 million in capital expenditure authority from 2023, and
- (2) Reallocate expenditure authority for several reasons, including technical adjustments, changes to project scope or schedule, and the addition of new flood damage repairs based on facility inspections and assessments.

Although King County has adopted “life-to-date” budgets since a new financial system was implemented in 2012, the District adopts annual budget increments that are then carried over from one year to the next. This carryover budget has consistently exceeded the budget authority needed in a given year for all capital expenditures.

This memo provides an overview of 2023 capital expenditures, as well as illustrative examples of the different categories of capital carryover from 2023. The proposed midyear reallocations are presented in a separate summary document attached to this staff report includes a brief explanation of each recommended reallocation.

The 2023 expenditure and carryover patterns were consistent with the financial plan forecast transmitted with the District’s 2023 mid-year and 2024 budgets. The \$210.9 million carryover detailed in this staff report is within 1% of the carryover amount forecasted in the informational November 2023 financial plan prepared by King County Water and Land Resources Division of the Department of Natural Resources and Parks (WLRD). This close alignment of actual expenditures and carryover to the financial plan forecast provides confidence that the financial plan accurately projects the District’s cash fund balance. Financial forecasts for 2025 include a negative fund balance.

Overview of 2023 Expenditures

As illustrated in the Figure 1 below, the District’s 2023 overall capital expenditures totaled \$53 million. WLRD-managed expenditures for construction and acquisitions were \$24.1 million and 45% of 2023 capital expenditures for the District. Figure 1 categorizes WLRD-managed

expenditures by category. This is the smallest expenditure in several years as there were few large construction projects in 2023. That will change in the coming years as WLRD prepares for major construction at the Black River Pump Station and on the White River for the Pacific Right Bank Levee Setback. The remaining 55% of capital expenditures were managed by other agencies through agreements and grants. Figure 2 provides WLRD-managed capital construction expenditures by year, highlighting the trends over previous years.

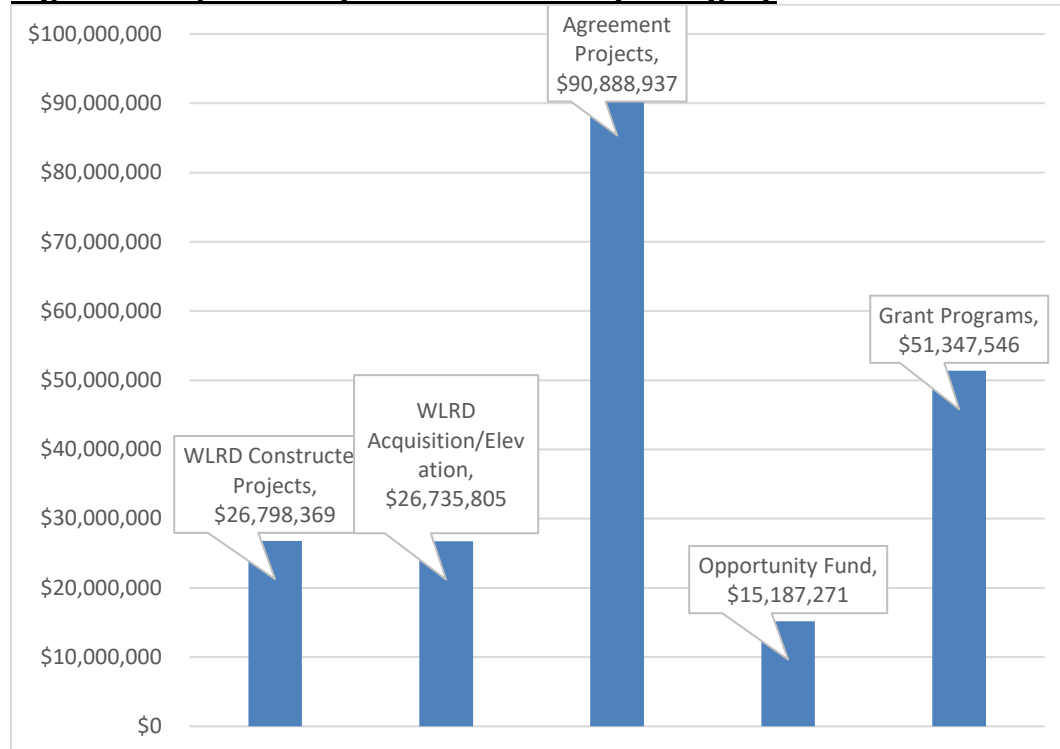
Overview of 2023 Capital Carryover

The total capital carryover request for 2023 is \$210.9 million, representing a decrease of \$48.6 million (19%) from the \$259.6 million carryover request for 2022. The 2023 carryover is allocated across the categories shown in Figure 3.

Of the total \$210.9 million in carryover:

- 75% (\$157.4 million) is for grants and agreements managed by other agencies.
- 25% (\$53.5 million) is managed by WLRD.

Figure 3: Capital Carryover from 2023 by Category



The highlights below reference line numbers from the adopted capital project list (Attachment H).

Examples from each category are described below.

WLRD Constructed Projects (Capital Construction and Repair)

Construction projects managed by WLRD total \$26.7 million and is 13% of the capital carryover from 2023. Highlights include:

1. Tukwila 205 Gunter Floodwall (Attachment H, Line 133, \$6.8 million). Acquisition related delays have slowed project schedule.
2. Black River Pump Station (Attachment H, Lines 109-114, \$3.9 million combined). Carryover based largely on construction schedule delays for high use engines.

3. Lower Jones Road Neighborhood Improvements (Attachment H, Line 97, \$2 million). Acquisition related delays have slowed project schedule; budget authority is carried over to 2023 to preserve capacity to acquire property from willing sellers.
4. Lower Frew Levee Setback (Attachment H, Line 41, \$1.2 million). Acquisition related delays have slowed project schedule.

District Flood Mitigation (Acquisition and Elevation of At-Risk Structures)

District acquisition and elevation projects managed by WLRD total approximately \$26.7 million (13% of the total carryover). Highlights include:

1. Pre-Construction Acquisitions on the Green River (Attachment H, Line 120, \$8.9 million). Funding is allocated to acquire potential multi-benefit properties along the Green River as opportunities arise. Landowner negotiations in progress, some expenditures may occur in 2024 if negotiations are successful.
2. Snoqualmie/South Fork Skykomish Residential Flood Mitigation (Attachment H, Lines 1, 10, 12, 25, and 34, \$8.3 million combined). Timing of expenditures is determined by landowner willingness.

Other Agency Agreements

This category totals \$90.8 million, accounting for 43% of the total carryover. It includes projects managed by other agencies through agreements with the District. This represents a \$34 million increase from the \$124 million carried over into 2023.

In some cases, the carryover corresponds to agreement projects that do not yet have an ILA in place, or where an ILA is in place, but reimbursements have not been requested. Additionally, some projects are progressing slower than anticipated by the managing city. Budgets and cost allocations for these projects will be “right-sized” in partnership with the service providers as part of the 2025 budget process, which should reduce the carryover in future years. Highlights include:

1. City of Kent – Milwaukee #2 Levee (Attachment H, Line 129 - \$17.1 million). Under the District's 2020 agreement with the City of Kent, \$11 million is authorized for expenditures.
2. City of Kent – Signature Pointe Revetment (Attachment H, Line 132 - \$16.8 million). Initial ILA for alternatives analysis adopted May 2018. A second ILA for predesign and real estate appraisals was adopted in February 2020.
3. City of Kent - Horseshoe Bend/Breda Levee Setback (Attachment H, Line 123 - \$14.1 million). No ILA adopted to authorize expenditures.
4. City of Bellevue – Factoria Blvd Drainage (Attachment H, Line 72 - \$6.8 million). ILA adopted in March 2023 authorizing expenditures.
5. City of Renton Levee Certification (Attachment H, Line 86 - \$3.9 million). ILA adopted in 2019 authorizing expenditures up to \$5 million.

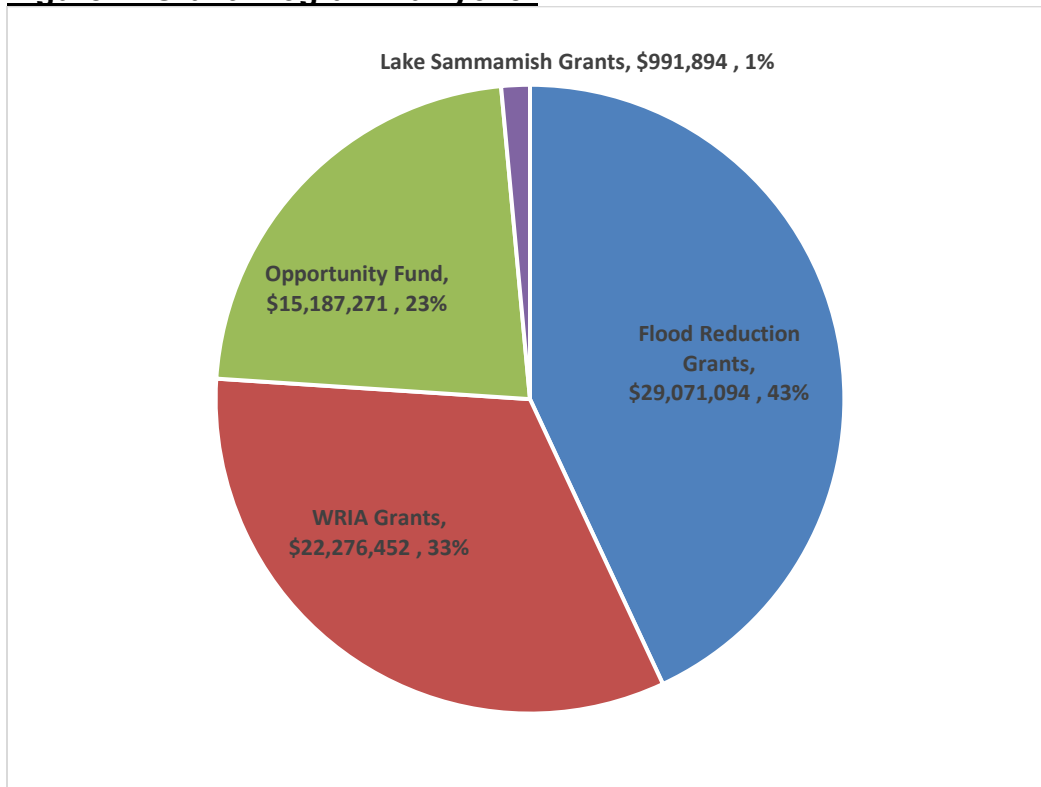
Grant Programs (Opportunity Fund, WRIA grants, Lake Sammamish Flood Mitigation, and Flood Reduction Grants)

The total carryover across these four grant programs is \$66 million, representing 24% of the total carryover. The carryover results partially from newly established and expanded grant programs in 2020, which were allocated by the Board in the fall of 2021, as well as the Lake Sammamish Flood Mitigation grant program authorized in 2022.

Additionally, each year there is an expenditure lag due to the time required to appropriate funds in January, adopt recommended projects in the fall, execute agreements with grant recipients, implement work, and finally request reimbursement for eligible expenditures.

Also of note, many jurisdictions choose to “bank” their Opportunity Fund allocation until it is sufficient to fund a project. For the 2023 Opportunity Fund allocation, \$1.25 million was “banked” for future use, bringing the total carryover for this program is \$15.2 million.

Figure 4: Grant Program Carryover



2023 Mid-Year Reallocation

The attached reallocation summary lists each of the proposed capital budget adjustments by line in the District's capital project list (Attachment H).

Upcoming Changes to Budget Documents in 2025

District and County staff are working on some changes to the budget documents that are intended to increase transparency. These changes include:

1. New categories in the Operating Budget. The 2025 budget materials will include different names for categories or "buckets" for the District's 2025 Operating Budget. The work product will not change but these new names will hopefully increase public understanding of budget documents.
2. Changes in the Budget Book. Currently the "Budget Book" is really just a list of the projects in the District's 6-year Capital Improvement Program. This does not accurately "tell the story" of the District's entire budget. The new Budget Book will include **all** of the District's budget (operating, capital, and administration budgets), as well as the budget resolution and work program.
3. Truing up the names of Capital Projects. Working to ensure that the correct name of a project – the name authorized by the Board when adopting a budget – stays with the project throughout the lifespan of the project and the facility. This change is intended to allow the public to follow a specific project from concept, implementation, and maintenance of the newly or repaired facility.

Next Steps

The Executive Committee unanimously recommended the 2024 midyear budget to the Board at its June 5th meeting.

Attachments

2024 Reallocation Summary
2024 Expenditure Chart
2024 Financial Plan

King County Flood Control District

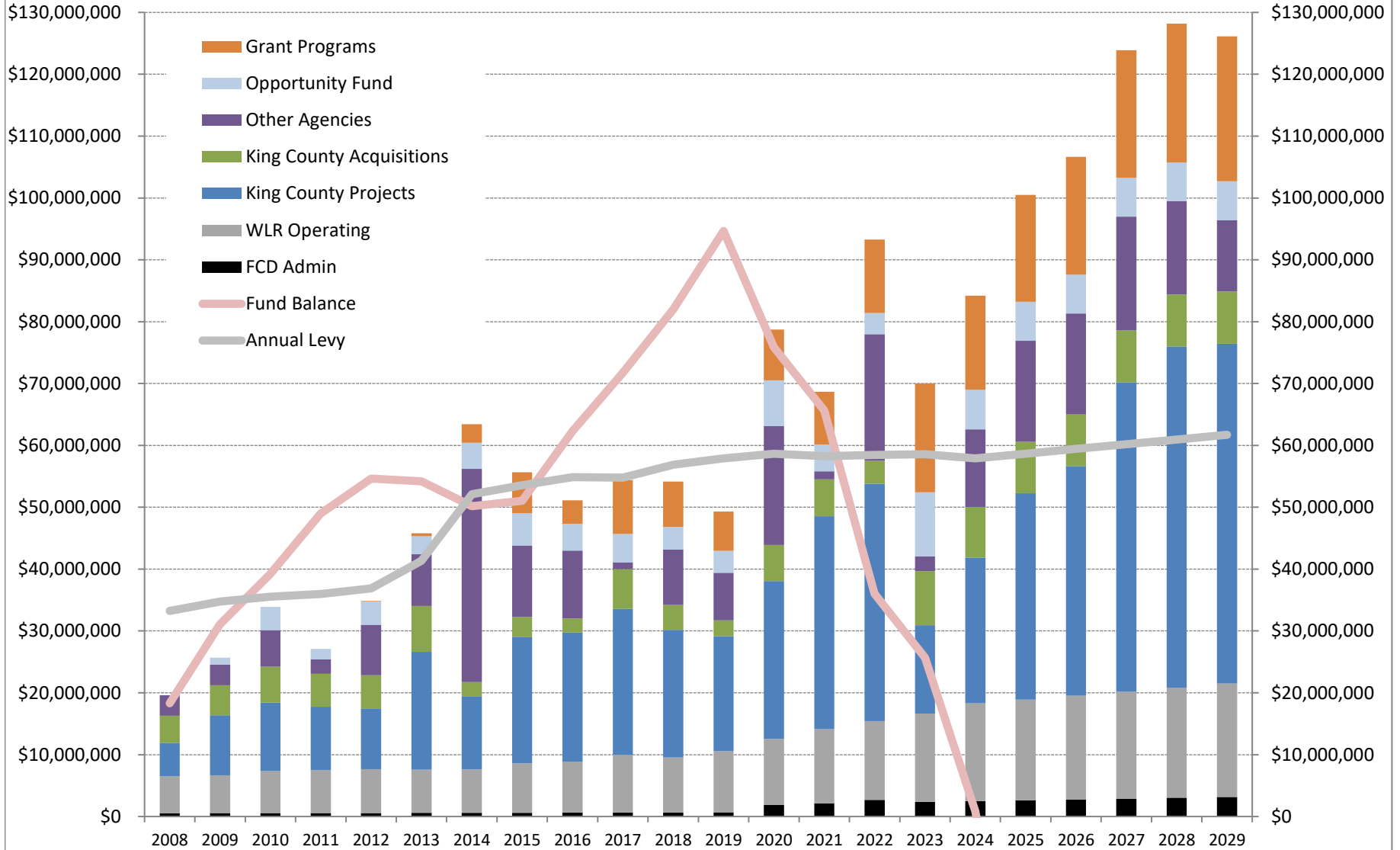
2024 Reallocation Summary

May 15, 2024

No.	Title	Basin	2024 Reallocation Request	Reallocation Notes
3	WLFL0 TIMBERLANE 2019 REPAIR	SF Skykomish	(\$28,974)	Project completed; remove remaining budget authority to close project.
15	WLFL1 NORTH FORK BRIDGE FEASIBILITY	Upper Snoq	(\$44,315)	Project completed; remove remaining budget authority to close project.
16	WLFL1 PUMP STATION REVETMENT REPAIR	Upper Snoq	\$80,551	Additional budget requested as the design schedule has been accelerated by completing technical studies using a combination of consultants and in-house staff.
17	WLFL1 RECORD OFFICE 2016 REPAIR	Upper Snoq	(\$192,124)	Project completed; remove remaining budget authority to close project.
19	WLFL1 REINIG RD RVTMNT 2016 REPAIR	Upper Snoq	\$18,939	Project in closeout phase; minor budget adjustment needed to complete project.
25	WLFL1 UPR SNO RES FLD MITIGTN	Upper Snoq	\$730,940	Additional budget authority needed to potentially acquire two properties in 2024.
26	WLFL1 USACE PL 84-99 SF SNO	Upper Snoq	(\$414,392)	Project completed; remove remaining budget authority to close project.
57	WLFL4 RAGING SCOUR REPAIR 2017	Raging	(\$54,938)	Project completed; remove remaining budget authority to close project.
69	WLFL5 WILLOWMOOR FLDPLAIN REST	Sammamish	\$238,106	Additional budget authority needed to complete 30% design.
88	WLFL7 CRT SITE 5B 2020 REPAIR	Cedar	\$10,321	Project in closeout phase; minor budget adjustment needed to complete project.
91	WLFL7 DORRE DON AVULSION ANALYSIS	Cedar	\$259	Project completed; minor budget adjustment needed to close project.
102	WLFL7 TABOR-CROWALL REVETMENT	Cedar	\$799,520	Preliminary design and site investigations identified the need to expand the extent of the repair, resulting in a larger, more complex and costly project.
116	WLFL8 DESIMONE MAJOR REPAIR USACE	Green	\$19,429,843	Additional budget authority needed for the US Army Corps of Engineers expedited construction schedule of the locally preferred plan approved December 2023.
139	WLFLS S PARK DRAINAGE IMPROVEMENTS	Green	\$410	Project completed; minor budget adjustment needed to close project.
146	WLFL9 COUNTYLINE TO A STREET	White	\$220,194	Additional budget is requested to complete a Letter of Map Revision, update FEMA flood map panels, coordinate with the affected communities, and submit appropriate documentation to FEMA before closing the project.
148	WLFL9 SLIPPERY CREEK ACQ	White	(\$55,000)	Project completed; remove remaining budget authority to close project.
151	WLFL9 STUCK R DR 2019 REPAIR	White	\$1,115	Project completed; minor budget adjustment needed to close project.
161	WLFLX DUWAMISH KING TIDE FRCST	Countywide	\$625,000	Budget move from operating budget to capital budget to optimize project budgetary oversight.
162	WLFLX PARKS CAREER PATHWAYS	Countywide	\$750,000	Budget move from District oversight budget to capital budget to optimize project budgetary oversight.
163	WLFLX FARM LEASE	Countywide	\$200,000	Budget move from District oversight budget to capital budget to optimize project budgetary oversight.

DRAFT: Actual and Forecasted Flood District Expenditures by Type

5/15/24



King County Flood Control District
Flood Program Financial Plan: 2024 Revised Budget and 6-Year CIP

May 15, 2024

	2023 Actual	2024 Adopted	2024 Revised	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected
Beginning Balance	34,267,954	26,719,546	25,669,038	874,427	(40,614,516)	(89,431,933)	(156,972,358)	(231,192,417)
Revenue								
Flood District								
Flood District Levy ¹	58,557,985	58,938,423	57,910,659	58,658,705	59,421,786	60,187,123	60,955,370	61,717,480
Interest Earnings ²	1,592,050	299,793	1,192,554	40,625	(1,886,904)	(4,154,906)	(7,292,757)	(10,740,937)
Miscellaneous Revenue ³	286,159	250,000	250,000	250,000	250,000	250,000	250,000	250,000
King County								
Grants ¹⁰	917,054	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
Total Revenue	61,393,563	59,528,217	59,393,213	58,989,330	57,824,882	56,322,217	53,952,613	51,266,543
Expenditure								
District Administration ⁶	(2,379,060)	(3,438,637)	(2,488,637)	(2,613,069)	(2,743,722)	(2,880,908)	(3,024,954)	(3,176,202)
Operating Expenditure	(14,260,070)	(16,433,156)	(15,808,156)	(16,282,400)	(16,770,872)	(17,273,998)	(17,792,218)	(18,325,985)
Capital Expenditure	(53,353,349)	(59,044,600)	(65,891,032)	(81,582,803)	(87,127,705)	(103,707,735)	(107,355,499)	(104,614,262)
Total Expenditure	(69,992,479)	(78,916,393)	(84,187,824)	(100,478,272)	(106,642,299)	(123,862,642)	(128,172,671)	(126,116,448)
Ending Fund Balance (Cash)	25,669,038	7,331,370	874,427	(40,614,516)	(89,431,933)	(156,972,358)	(231,192,417)	(306,042,321)
<i>Target Fund Balance</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Budgetary Carryover Reserves</i>	<i>(213,086,418)</i>	<i>(266,885,029)</i>	<i>(279,571,244)</i>	<i>(351,215,982)</i>	<i>(424,294,398)</i>	<i>(520,007,014)</i>	<i>(503,055,111)</i>	<i>(469,478,692)</i>
Ending Budgetary Fund Balance ⁹	(187,417,380)	(235,121,485)	(278,696,818)	(391,830,497)	(513,726,331)	(676,979,372)	(734,247,527)	(775,521,014)

Notes:

- 1 Property tax forecast provided by the Office of Economic and Financial Analysis in March, 2024, less undercollection assumption of 1%.
- 2 Interest earnings approximated using prior year actuals and increasing by 3% per year.
- 3 District miscellaneous revenue due to multiple sources such as state forest sales, private timber harvest tax, unrealized investments, leasehold excise taxes, and immaterial corrections from prior years.
- 5 County 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 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 remaining 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.
- 9 The budgetary fund balance assumes 100% expenditure of all budgeted amounts and is used to understand the District's total budgetary commitment.
- 10 Grant revenue is assumed only for grants that have been awarded or where an award is likely and imminent.
- 11 Total New Capital Appropriation corresponds to the "Grand Total" shown in each year on Attachment H.