



Santa Clara Valley Water District

File No.: 18-0366

Agenda Date: 5/23/2018

Item No.: 2.2.

BOARD AGENDA MEMORANDUM

SUBJECT:

Funding reallocation of approximately \$650,000 of surplus funds in Safe, Clean Water and Natural Flood Protection Program Fund 26 Reserves (Fund 26 Reserves) resulting from the Project A2: Safe, Clean Water Partnerships and Grants (Nitrate Treatment System Rebate Program) modification (pending Board approval of May 23, 2018 Agenda Item 2.1) to other Project(s) within the Safe, Clean Water and Natural Flood Protection Program.

RECOMMENDATION:

If the Board approves the modification to the Nitrate Treatment System Rebate Program Key Performance Indicator (May 23, 2018 Agenda Item 2.1), staff recommends that the Board:

- A. Reallocate approximately \$650,000 of surplus funds in Fund 26 Reserves to Project B4 Good Neighbor Program: Encampment Cleanup (Encampment Cleanup Project); or
- B. Provide direction to staff as to the disposition of all or a portion of the approximately \$650,000 of surplus funds in Fund 26 Reserves

SUMMARY:

Project A2 Modification Background

On July 24, 2012, the Board adopted Resolution No. 12-62, which specifies the limits and conditions by which the District is authorized to institute a special parcel tax for the Safe, Clean Water and Natural Flood Protection Program (Safe, Clean Water Program). As set forth in that Resolution, the Board of Directors may direct that proposed projects in the Safe, Clean Water Program be modified (i.e. revisions made to the Key Performance Indicators) or not implemented (i.e. due to federal and state funding limitations), depending upon a number of factors. To modify or decide not to proceed with implementing a project, the Board must first hold a formal, public hearing on the matter, noticed by publication, and notification must be provided to interested parties.

On April 10, 2018, the Board held a formal public hearing on the proposed modification to Project A2: Safe, Clean Water Partnerships and Grants (Nitrate Treatment System Rebate Program). The Board took no formal action and continued the public hearing to the May 23, 2018 Special Board meeting.

The proposed modification to Key Performance Indicator (KPI) #2 reduces the maximum funding for Project A2 from approximately \$798,000 (adjusted 15-year plan amount) to approximately \$141,000 to reflect current and anticipated demand for the Nitrate Treatment System Rebate Program (Nitrate Rebate Program). This reduction would leave approximately \$650,000 in the Nitrate Rebate Program, which would become surplus funds in Fund 26 Reserves upon approval of the modification. These funds could remain as surplus reserves or, at the Board's direction, be reallocated to one or more projects within the Safe, Clean Water Program.

Funding Status of the Safe, Clean Water Projects

Staff assessed the funding status of each Safe, Clean Water project in relation to its scheduled completion date and Key Performance Indicators (KPIs) in order to identify projects in need of additional funds to meet their full implementation objectives.

Water Utility and Watersheds Capital Projects

Due to the large scale of water utility and watersheds capital projects, the cost of these capital projects is considerably higher than other Safe, Clean Water projects. Therefore, reallocating the approximately \$650,000 in surplus Fund 26 Reserves would not make a significant difference in those projects completing their KPIs. Furthermore, water utility and watersheds capital projects may be eligible to receive funding from other sources, such as state and federal funding, grant funding and funding from other partner agencies, which helps reduce the District's expense for accomplishing this work. The water utility and watersheds capital projects include:

- Project A1: Main Avenue and Madrone Pipelines Restoration
- Project A3: Pipeline Reliability Project
- Project C1: Anderson Dam Seismic Retrofit
- Project D6: Creek Restoration and Stabilization
- Project E4: Upper Penitencia Creek Flood Protection
- Project E5: San Francisquito Creek Flood Protection
- Project E6: Upper Llagas Creek Flood Protection
- Project E7: San Francisco Bay Shoreline Protection
- Project E8: Upper Guadalupe River Flood Protection
- Permanente Creek Flood Protection
- Sunnyvale East and Sunnyvale West Channels Flood Protection
- Berryessa Creek Flood Protection
- Coyote Creek Flood Protection
- Calabazas Creek Flood Protection (completed)

Non-Capital Projects

Of the Safe, Clean Water projects that are not water utility and watersheds capital projects, four projects are on target with amount spent, 18 projects are under-spent, and two projects are over-spent in relation to their scheduled completion date and KPIs.

Each Safe, Clean Water project has a scheduled completion date that aligns with its KPIs. For projects with KPIs that require annual targets, the expenditure rate is linear and consistent each year through the scheduled completion date. For projects with KPIs that require a deliverable at the end of its scheduled completion date, the expenditure rate may vary each year in accordance with the project phase. For example, the rate of spending may be low in the early years as the project begins, increase as the project progresses, and lower again at the end of the project when it is being closed out. The Safe, Clean Water Program is in its fifth year, therefore it is expected that multiple projects are currently under-spent.

The financial information used to analyze the project spending is a comparison of the current expenditures to date (as of May 7, 2018) and the Adjusted 15-Year Plan allocation as identified in FY17.

The projects on target with amount spent in relation to their scheduled completion date (within 5% of the target amount) include:

- Project B3: Pollution Prevention Partnerships and Grants
- Project B7: Support Volunteer Cleanup Efforts and Education
- Project E1.4: Vegetation Management for Access
- Project E2.1: Coordination with Local Municipalities on Flood Communication

The projects under-spent in relation to their scheduled completion date include:

- Project A2: Safe, Clean Water Partnerships and Grants
- Project B1: Impaired Water Bodies Improvement
- Project B2: Interagency Urban Runoff Program
- Project B5: Hazardous Materials Management and Response
- Project B6: Good Neighbor Program: Remove Graffiti and Litter
- Project C2: Emergency Response Upgrades
- Project D1: Management of Revegetation Projects
- Project D2: Revitalize Stream, Upland and Wetland Habitat
- Project D3: Grants and Partnerships to Restore Wildlife Habitat and Provide Access to Trails
- Project D4: Fish Habitat and Passage Improvements
- Project D5: Ecological Data Collection and Analysis
- Project D7: Partnerships for the Conservation of Habitat Lands
- Project D8: South Bay Salt Ponds Restoration Partnership
- Project E1.1: Vegetation Control for Capacity
- Project E1.2: Sediment Removal
- Project E1.3: Maintenance of Newly Improved Creeks
- Project E2.2: Flood-Fighting Action Plans
- Project E3: Flood Risk Reduction Studies

The projects over-spent in relation to their scheduled completion date include:

- Project B4: Good Neighbor Program: Encampment Cleanup (96% spent with 10 years remaining)
- Clean, Safe Creeks Grants Project (124% spent with 1 year remaining)

Options for Reallocation of Surplus Fund 26 Reserves

While the surplus funds resulting from the modification to Project A2 may be retained in the Fund 26 Reserves, staff recommends reallocation to enhance current funding levels in existing Safe, Clean Water projects. Analysis of the option suggested for consideration by the Independent Monitoring Committee (IMC) and for the projects that are over-spent in relation to their scheduled completion date is included below.

Project A2: Water to Go (Hydration Station) Grant Program

The Independent Monitoring Committee (IMC) recommendation regarding the modification to the Nitrate Rebate Program and reallocation of funds suggested “considering re-allocating the funds to other projects, such as the Water to Go grant program.”

The Water to Go (Hydration Station) Grant Program is KPI #2 of Project A2: Safe, Clean Water Partnerships and Grants. The KPI has been met this year, ahead of schedule. If this program were to receive additional funds to exceed the original KPI, additional staff resources would need to be allocated to administer the program.

The District’s agreement with First 5 Santa Clara County to administer the Water to Go grant program was mutually beneficial because it allowed them to have a greater reach into the community and it aligned with First 5’s own grant program, which covered the administrative overhead. The agreement between the District and First 5 expires at the end of FY18 and First 5 completed its own grant program. Thus, it would be costly for First 5 to continue administering the District’s grant program and have no direct benefit to their agency. Given that this project has met its KPI and First Five also has completed its own program, and given the significant staff costs involved in expanding this program beyond its KPIs, staff does not recommend reallocating the funds to the Water to Go Grant Program.

Clean, Safe Creeks Grants Project

The Clean, Safe Creeks Grants Project is over-spent at 124% of its allocation with 1 year remaining on the project. This project was carried forward from the previous Clean, Safe Creeks Plan. The project KPIs were met in FY13 as per the executed agreements. Therefore, this project does not require additional funding to complete its KPIs. The project was carried forward because some grant projects were yet to be completed. Given that the remaining two grants under this project are scheduled to be completed in FY19 staff does not recommend reallocating the funds to the Clean, Safe Creeks Grants Project.

Project B4: Good Neighbor Program: Encampment Cleanup

The Encampment Cleanup project is currently over-spent at 96% of its allocation and is projected to be more than 100% spent at the current spending rate, with 10 years remaining to implement the project. This project does not have sufficient funding to meet the current level of demand for service in FY18, or FY19.

There continues to be an ongoing increase in demand for District resources to address encampment cleanups along local waterways from cities and the community. While the KPI for the project is to complete 52 cleanups a year, during the past four years, the project has performed an average of 358 cleanups annually. These additional requests have significantly impacted the project's budget.

Staff reported this significant funding shortfall to the Board and the Safe, Clean Water Independent Monitoring Committee (IMC) during Board and Committee meetings and in the annual report. In the IMC's letter to the Board which accompanied the committee's report this fiscal year, the committee acknowledged the funding issues that the Encampment Cleanup project is facing and advised that the District may need to continue to explore other additional funding options for this project.

In FY18, the project is projected to use all of its remaining Safe, Clean Water funds (15-year allocation) and has insufficient funds to continue to meet the demands for this work. While the District has met the KPI's required 52 cleanups, there is insufficient funding to meet the high demand for this service.

The reallocation of approximately \$650,000 from Fund 26 Reserves resulting from the Nitrate Rebate Program modification would meet the immediate funding need for the Encampment Cleanup Project to balance the expenditures and revenues for the rest of FY18 and should allow the project to meet the KPI's 52 required cleanups in FY19. If additional funding is not reallocated to the Encampment Cleanup project, work would need to cease immediately in FY18 and in FY19 and a financial plan will be needed to resume and continue meeting the KPIs in future years. Given the high demands for this work and its importance in reducing trash and pollutant loads in waterways, staff recommends reallocating the available funds to Project B4: Encampment Cleanup.

Staff will present additional Encampment Cleanup Project funding strategies and operational approaches for the Board's consideration in a separate Board Agenda Memo (Item 2.3), also to be considered at this Special Meeting.

FINANCIAL IMPACT:

Approximately \$650,000 of surplus funds in Fund 26 Reserves may be retained in Fund 26 Reserves or reallocated to one or more Safe, Clean Water project(s) within Fund 26, as decided by the Board.

CEQA:

The recommended action does not constitute a project under CEQA because it does not have a potential for resulting in direct or reasonably foreseeable indirect physical change in the environment.

ATTACHMENTS:

Attachment 1: PowerPoint

UNCLASSIFIED MANAGER:

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