

MEMORANDUM

Date: August 30, 2018
To: Chehalis Basin Board
From: Andrea McNamara Doyle, Director
Re: 2019-2021 Budget Development

At the September 6 Board meeting, you will be continuing discussion of the Board's 2019-2021 Capital Budget recommendation to the Governor. This memorandum provides the additional information the Board requested at the July meeting, and summarizes draft options for the Board's consideration. Staff will be requesting direction from the Board so that a final draft budget recommendation can be prepared for possible approval at the October 4 Board meeting.

Since the July 12 Board meeting, OCB staff have worked with the Project Management Team, Aquatic Species Restoration Plan (ASRP) Steering Committee, and representatives from the Flood Authority, Flood Control Zone District, City of Aberdeen (Aberdeen/Hoquiam North Shore Levee), agencies, tribes, and contractors to obtain refined budget estimates for the major work elements related to advancing the long-term capital strategy and near-term on-the-ground actions.

At the July 12 Board meeting, Board members requested that OCB Staff:

- Provide refined estimates of 2017-19 carryover funds that may be subject to re-appropriation;
- Prepare a range of investment options for the 2019-21 biennial budget request;
- Develop draft capital budget estimates for implementation of the Long-Term Strategy beyond the 2019-2021 biennium.

2017-2019 Carryover Estimates

Using information provided by current contract managers and project sponsors, OCB staff has developed more refined estimates of how much of the 2017-2019 appropriations will not be spent before the end of the biennium (carryover funds). Carryover funds are comprised of both obligated—contractually committed but not yet billed—and unobligated funds. The OCB's carryover funds are largely the result of the delay in passage of a 2017-2019 capital budget, which led to:

- Missing seasonal construction windows for barrier removal projects;
- Delay in finalizing SEPA/NEPA EIS schedule and agreements;
- Delay in completing long-term strategy assessment; and
- Delay in OCB hiring and finalizing overall participation contracts with other agencies and tribes.

The current estimate of 2017-2019 carryover funds is approximately \$10.8M. Of this total, \$7.2M are obligated funds and \$3.6M are unobligated funds. It is important to note that these are early estimates, and the total carryover amount is likely to be less by the end of the biennium. For example, it is reasonable to assume that currently unobligated funds may be needed for new tasking and budget needs as a result of the SEPA/NEPA EIS scoping process. It is also possible that additional opportunities for construction or acquisition may arise that could be pursued in the near-term.

OCB staff will continue tracking the rate of expenditures and projected carryover amounts that will need to be requested as part of the budget re-appropriation process. For purposes of determining the overall size of the Board’s 2019-2021 Capital Budget request, it is not necessary to finalize the carryover amount now, as the split between “new” money and “re-appropriated” money can be made at a later date.

2019-2021 Budget Options/Questions

This section summarizes draft 2019-2021 budget options. Budget estimates were developed for all major work elements related to advancing the Long-Term Strategy and near-term, on-the-ground actions. All work elements comprising the 2019-2021 budget request are assumed to be funded from the Capital Budget, except for the “Core OCB staff” that Ecology is requesting to be funded through the Operating Budget (State General Fund).

As a starting point, OCB staff developed an option for a budget request that would provide the same level of investment next biennium as is available in the current 2017-2019 biennium (\$50M). This ‘Option One’ for a \$50M “status quo” level of investment is summarized in the table below.

Comparison of 2017-2019 and 2019-2021 OPTION ONE “Status Quo” Budget

BUDGET ELEMENT	2017-2019 (BUDGETED)	2019-2021 “STATUS QUO”
ADVANCING THE LONG-TERM STRATEGY		
Core OCB Staff	N/A	(Operating) ¹
Overall Participation	\$4.7M	\$4.9M
Development of Long-Term Strategy	\$1.1M	Carryover from 2017-2019
Continued Development of ASRP	\$6.3M	\$3.4M
Restorative Flood Protection	\$5.5M	N/A
SEPA/NEPA EIS for Dam/Airport Levee	\$12.5M	\$11.5M
Forest Practices Analysis	\$330K	\$445K
<i>Sub-Total</i>	<i>\$30.4M</i>	<i>\$20.3M</i>
ON-THE-GROUND ACTIONS		
ASRP Implementation	\$10M ²	\$17.2M
Aberdeen/Hoquiam North Shore Levee	\$1.5M	\$2.3M
Floodproofing/Floodplain Management	\$400K	\$3.9M
Local Projects	\$7.7M	\$6.3M ³
<i>Sub-Total</i>	<i>\$19.6M</i>	<i>\$29.7M</i>

TOTAL	\$50M	\$50M
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¹ \$1.5M for OCB Core Staff funding is included in Ecology’s Operating Budget request.

² Authorization was also provided to spend an additional \$10M in federal funds, if received.

³ Includes \$3M for Aberdeen Fry Creek Restoration & Flood Reduction project.

Advancing the Long-Term Capital Strategy

Efforts to the advance the Long-Term Strategy next biennium include major work elements related to both habitat restoration and flood damage reduction. For the 2019-2021 capital budget request, the following work is planned to advance the habitat restoration objectives of the Long-Term Strategy:

- Refine models and complete baseline monitoring for the ASRP;
- Complete Final ASRP, including preparation of a detailed near-term implementation plan;
- Develop post-construction monitoring and adaptive management plan.

Major work elements to advance the flood-damage reduction objectives of the Long-Term Strategy during the 2019-2021 biennium include:

- Complete SEPA/NEPA EIS for Dam/Airport Levee;
- Complete preparation of floodproofing program, including near-term implementation plan;
- Continue forest practices analysis.

With continued overall participation by agencies, tribes, and contractor teams, completing the above work elements in 2019-2021 will provide the information the Board needs to finalize its Long-Term Strategy.

Near-Term On-the-Ground Actions

Significant investment in more on-the-ground actions is possible in 2019-2021 as a result of the considerable analysis, feasibility, and design work that is now complete or nearing completion on both habitat restoration and flood damage reduction planning. For the 2019-2021 capital budget request, the following on-the-ground actions can be implemented in the near-term:

- ASRP Construction:
 - Early action reaches
 - Rapid reach scale actions
 - Existing barrier correction designs
 - Targeted native aquatic species actions
- ASRP Design:
 - Additional reach scale projects and barrier corrections

- ASRP Acquisitions/Easements

Flood-damage reduction work that can be accomplished on-the-ground next biennium includes:

- Construction:
 - Floodproofing projects (structure elevation, farm pads)
 - Local projects
 - Aberdeen-Hoquiam North Shore Levee drainage improvements
- Design:
 - Additional floodproofing projects
- Acquisitions/Easements:
 - Floodproofing (buyouts)

Differences between 2017-2019 and 2019-2021 OPTION ONE “Status Quo” Budget

Although the \$50M funding level included in the “Status Quo” option for 2019-2021 represents the same level of effort as the \$50M appropriated for 2017-2019, there are important differences in how the funds would be used next biennium. The major difference staff is recommending in the Option One “Status Quo” budget is an increase in overall funding for “on-the-ground” projects and a decrease in overall funding for advancing the long-term capital strategy, when compared with the current 2017-2019 budget. Notable differences in funding recommended for “advancing the long-term capital strategy” next biennium include:

- Decreased funding needed for completion of Draft/Final NEPA and SEPA EISs;
- Decreased funding needed for ASRP management and studies; and
- Decreased funding for Restorative Flood Protection.

For near-term “on-the-ground” work elements, the major differences are:

- Increased funding for ASRP projects, including reach scale construction;
- Increased funding for floodproofing program; and
- Increased funding for Aberdeen/Hoquiam North Shore Levee.

Beyond the \$50M “status quo” 2019-2021 budget, OCB staff have developed additional budget options for the Board to consider to more aggressively pursue advancing the long-term strategy and on-the-ground actions. These additions could increase the total 2019-2021 funding by an additional \$28.5M to \$48.5M. The table below summarizes the potential budget additions.

Potential 2019-2021 Budget Additions Beyond “Status Quo”

BUDGET ELEMENT	2017-2019	BUDGET
ADVANCING THE LONG-TERM STRATEGY		
ASRP	Monitoring to assess effectiveness of restoration actions implemented and filling critical data gaps needed to improve effectiveness of ASRP	\$2.4 – 3.2M
SEPA/NEPA EIS for Dam/Airport Levee	Additional DNR staffing for Doty Hills study	\$300K
<i>Sub-Total</i>		<i>\$2.7 – 3.5M</i>
ON-THE-GROUND ACTIONS		
ASRP Implementation	Increased construction and design of projects	\$16 - 29M
Aberdeen/Hoquiam North Shore Levee	25% - 50% of work on conveyance upgrades and pump stations	\$6.3 – 12.5M
Local Projects	Full suite of local projects	\$3.5M
<i>Sub-Total</i>		<i>\$25.8 – 45M</i>
TOTAL		\$28.5 – 48.5M

Board Direction

At the September 6 meeting, staff will provide more information about the budget elements and cost estimates summarized here and will be asking for the Board’s guidance on the following issues to help shape the final recommendations:

- Is the draft \$50M funding allocation between the Long-Term Strategy & On-the-Ground projects consistent with the Board’s priorities for next biennium?
- Is \$50M sufficient to “aggressively pursue” the mission in 2019-21?
 - If not, what are the Board’s priorities for investments beyond the \$50M “status quo” funding scenario?
- How much does the Board want to invest in funding the next phase of the North Shore Levee and implementing ASRP projects (relative to other sources that are potentially available to project sponsors)?

Future Biennial Budget Projections

Board members requested OCB staff develop draft budget estimates for the Strategy beyond the 2019-2021 biennium, in order to provide the Board context for their budget recommendation and to understand more about the possible sequencing and scale of activities and projects over time. Because several significant variables are still unknown until the ASRP is finalized and the dam/airport levee EIS is completed, staff had to make a number of assumptions in developing these long-range projections.

For general planning purposes, OCB staff used the following assumptions to estimate possible capital budget investment needs over the next several biennia:

- Overall participation budget remains mostly constant;
- ASRP restoration projects are fully funded at ~\$75.4M each biennium;
- Floodproofing and local projects continue on a comparable scale and pace as currently anticipated;
- 50% of remaining North Shore Levee total costs are funded;
- The Board recommends a dam be part of the long-term capital strategy and it is approved, permitted, and constructed by 2031.

Based on these assumptions, the table below summarizes draft budget estimates for implementing the long-term strategy in the ten years beyond the 2019-2021 biennium.

WORK ELEMENT	2021-2023	2023-2025	2025-2027	2027-2029	2029-2031	TOTAL
Long-term Strategy						
Overall Participation	\$4.7M	\$4.7M	\$4.7M	\$4.7M	\$4.7M	\$23.5M
ASRP	\$2.4M	\$1M	\$1M	\$1M	\$1M	\$6.4M
EIS for Dam and Permitting	\$16.5M	\$12.5M	\$1.6M	\$1.6M	\$1.6M	\$33.8M
<i>Sub-total</i>	<i>\$23.6M</i>	<i>\$18.2M</i>	<i>\$7.3M</i>	<i>\$7.3M</i>	<i>\$7.3M</i>	<i>\$63.7M</i>
On-the-ground						
North Shore Levee	\$36.5M	\$ -	\$ -	\$ -	\$ -	\$36.5M
ASRP Projects ⁴	\$77M	\$76.4M	\$77.4M	\$76.5M	\$77.6M	\$385M
Dam Engineering and Construction	\$4.7M	\$27M	\$35M	\$257M	\$270M	\$593.7M
Floodproofing	\$5M	\$5M	\$5M	\$5M	\$5M	\$25M
Local Projects	\$10M	\$10M	\$10M	\$10M	\$10M	\$50M
<i>Sub-total</i>	<i>\$133.3M</i>	<i>\$118.1M</i>	<i>\$127.5M</i>	<i>\$348.5M</i>	<i>\$363M</i>	<i>\$1.09B</i>
Grand Total	\$157M	\$136.3M	\$134.8M	\$355.8M	\$370.2M	\$1.15B

⁴ Estimates based on preliminary discussions with the ASRP Steering Committee.

Next Steps

OCB staff will revise and update the budget recommendation options per the Board's direction at the September 6 meeting. On October 2, Ecology will brief the Office of Financial Management (OFM) Director on Ecology's budget decision packages, including the OCB budget request. At the October 4 Board meeting, OCB staff will provide the Board final 2019-2021 Capital Budget recommendations for possible approval and submittal to the Governor. After October 4, OCB Director McNamara Doyle will brief OFM and legislative staff on the Board's final budget recommendations.