

TRANSITION PLANNING REPORT

At the February 17, 2011 Flood Authority meeting, Bruce Mackey of ESA Adolfson presented a memo discussing the need to start planning for the transition to a permanent governance structure. As discussed in that memo, there will be many changes to the purpose and setup of the Flood Authority after June 30, 2011. At the February 17 meeting, the Flood Authority decided to schedule a work session on March 31, 2011, to discuss this topic in greater depth. This staff report covers information and preliminary options that will be presented on March 31. Though the Flood Authority will not know the status of its funding for the next fiscal year until the State Capital Budget is passed, it is necessary to start the planning process now.

1.0 BACKGROUND

The Flood Authority is currently operating under a budget allocation in the Washington State Capital Budget. That budget will come to an end on June 30, 2011. Contracts with Flood Authority consultants also end on June 30, 2011. These include:

- ESA Adolfson for facilitation and staff support,
- FCS Group for district formation support,
- Anchor QEA for the fish study,
- WEST Consulting for the early warning system, and
- EES Consulting for the upstream storage cost-benefit analysis.

In addition to the end of ESA Adolfson's contract, Bruce Mackey, the Flood Authority's facilitator, will retire on June 30, 2011.

The Flood Authority requested that the Governor include transition funding as part of the Capital Budget currently being considered by the Legislature. As currently written, the Capital Budget would provide the Flood Authority with \$1.32 million in funding. In developing the budget, the intent was to use the money as follows:

- continue working with FCS Group to get the governance structure up and running,
- staff the interim governance structure, and
- extend the time for completing the fish study.

As currently written, the funding will also cover a project to extend the hydraulic model to the lower basin.

It will be several months until the Flood Authority knows whether or not it will receive this funding, as the Capital Budget is usually approved near the end of the legislative session (currently scheduled for April 23rd, though the session is expected to run long due to the state budget situation). However, because of the complexity of the issues, the Flood Authority should start planning for the transition now.

Under the current Capital Budget, the Flood Authority is charged with forming a permanent governance structure capable of raising funds for flood mitigation projects in the basin. The budget states that agreements to form the governance structure must be

signed by July 1, 2011. The Flood Authority has provisionally agreed to pursue the formation of an Interlocal Flood District (Interlocal District). Under this approach, each of the county jurisdictions would form its own flood control zone district, and the three county flood control zone districts, along with the Chehalis Tribe, would sign an interlocal agreement to function together as the Interlocal District. The basin-wide entity may choose to become a multi-jurisdiction flood control zone district (Zone District) in the future, assuming the current legislative bill to allow such a structure passes. This topic is covered in Section 5.0 of this document.

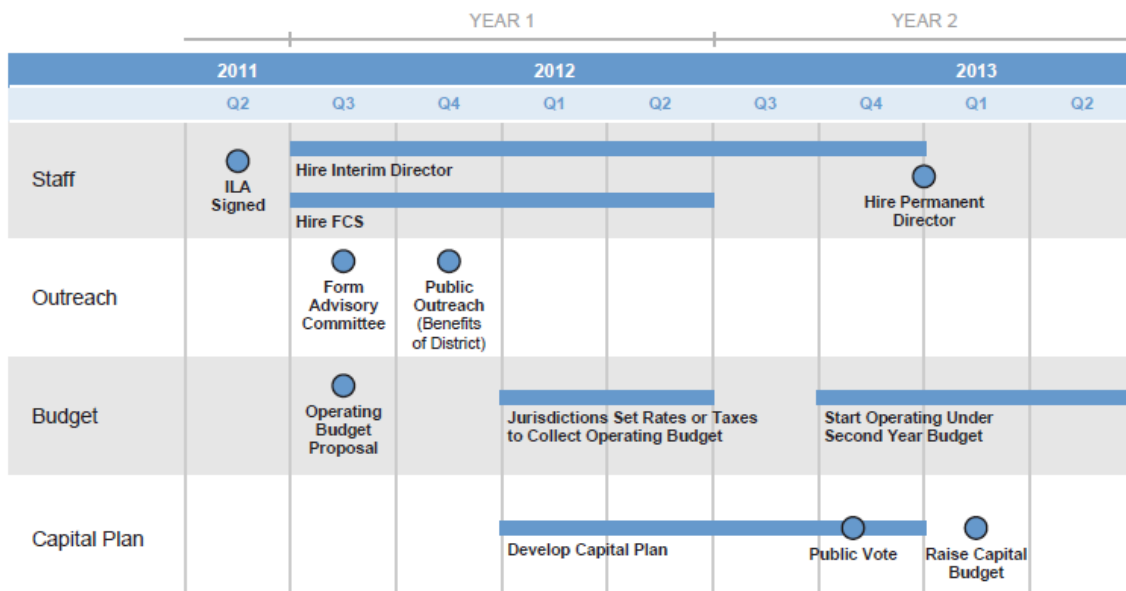
In the best-case scenario, on July 1, 2011, there will be a signed interlocal agreement between the three counties and the Tribe forming the Interlocal District, and the Legislature will provide bridge funding to fund the Interlocal District’s first year of operation. The Interlocal District will need to determine its staffing needs and set up an advisory committee. It will have to determine how to collect revenue for its ongoing operation and future projects beyond the initial year of state-funded operation.

In the event that bridge funding is not provided by the state or an Interlocal District cannot be formed by July 1, the Flood Authority would need to develop different transition options than the ones presented here.

2.0 WORK PRIORITIES

In its first several years of operations (starting July 1, 2011), the Interlocal District will have a lot of work to accomplish. Below, we have divided this work into (1) actions that will be ongoing from the Flood Authority’s current work, and (2) actions that will support the development of the Interlocal District. The potential transition schedule below shows when these actions are likely to take place.

Potential Transition Schedule



2.1 Ongoing Work

The Interlocal District would need to carry on with some of the work currently being done by the Flood Authority. The Interlocal District would continue to administer state funding through a relationship with the state Office of Financial Management. Lewis County could remain as fiscal agent for this funding or transfer the responsibility to a different member jurisdiction.

The Interlocal District would also need to:

- Manage the contract with FCS Group to assist with Interlocal District formation.
- Represent local interests as a stakeholder in the Twin Cities and General Investigation projects.
- Manage the fish study (assuming it is extended past June 2011).
- Maintain the early warning system currently being developed by WEST Consulting, including operation and maintenance of newly installed gages.
- Contract with a firm to develop the downstream hydraulic model (if funded by the Legislature).

2.2 Interlocal District Development

Although the Interlocal District will be established on July 1, 2011, there will be several tasks that must be undertaken in the first year to get it up and running. These include:

- selecting board members,
- developing and conducting public outreach,
- developing a Capital Plan,
- forming an Advisory Committee,
- establishing funding for future fiscal years, and
- hiring or contracting with staff.

This section of the report discusses the first five tasks. The last two tasks are discussed in Sections 3.0 and 4.0 of this report.

2.2.1 Selecting Interlocal District Board Members

The interlocal agreement will specify the number of board members and the jurisdictions they represent on the Interlocal District Board. Each jurisdiction will have to determine who will represent it on the board and how to select representatives, if this is not specified in the interlocal agreement. The individual jurisdictions could choose to hold elections to select their board members following initial appointment.

2.2.2 Public Outreach

To be successful in its efforts, the Interlocal District should make public education and outreach a priority before taxes or rates are set to generate revenue. The public education should focus on subjects such as:

- the role of the Interlocal District,
- how the Interlocal District would help citizens, and

- the benefits of proposed projects and actions (once a Capital Plan is developed).

The Interlocal District should also provide ongoing public education on general flood topics, such as flood warning programs, flood insurance, etc.

2.2.3 Capital Plan

The Interlocal District will need a detailed Capital Plan with information on specific projects before funding can be raised. This plan will be required in order to issue bonds and to support a potential ballot measure. We recommend starting the plan in the first fiscal year of operation (July 2011 through June 2012).

2.2.4 Advisory Committee

The Flood Authority has recommended that the Interlocal District establish an Advisory Committee to ensure representation and feedback from a broader group of stakeholders. The committee should include representation from a variety of interests, such as cities and other jurisdictions in the basin, agricultural interests, conservation interests, environmental interests, state agencies, etc. The Advisory Committee would give a wide range of community interests the ability to participate in the process and an understanding of what the process is. This would be essential to the public outreach and education effort.

2.2.5 Funding

The funding request for the Interlocal District in the Capital Budget will cover the first fiscal year of operations (July 2011 through June 2012). If the Interlocal District wants to secure a budget for the second fiscal year of operations (July 2012 through June 2013), it should determine how to do so early in the first fiscal year.

The Interlocal District will need to set the initial revenue requirement for the second fiscal year of operations. In turn, each member jurisdiction will have to contribute its share of that revenue requirement. Each jurisdiction will need to determine how to raise those funds.

Here are some specific issues for consideration:

- Will any of the individual jurisdictions hold an advisory vote to set taxes or rates to fund its share of administration and planning? Or will a public vote be held only to fund major capital projects?
- If an advisory public vote is held to fund administration and planning in any member jurisdiction, what would be the timing of the ballot? What types of public information would need to be available to inform such a ballot measure?

Given the need for a robust public outreach plan before a vote is held, the member jurisdictions may want to consider initially raising administrative funds without a public vote. A public vote may be more practical in the future for a well developed capital program when voters would know more about the benefits to be delivered.

2.3 Options

Individual member jurisdictions will need to make decisions on how to raise administrative funds for the second fiscal year of operations. Each jurisdiction will have the option of whether to hold a public advisory vote or not before setting rates or taxes.

2.4 Recommendations

It would not be advisable to ask citizens to vote on administrative funding before a major public outreach effort is made. An outreach effort can provide citizens with information about the benefits of the Interlocal District and the options for funding the Interlocal District. There would be insufficient time between July 1 and the November election date to provide the level of public outreach needed to build support for the Interlocal District's proposed actions, especially given the long lead time needed to meet election deadlines.

3.0 STAFFING

Currently, the Flood Authority is staffed by two consulting teams. The ESA Adolfson team has provided program management, general staff and technical support, and facilitation. For the past year, FCS Group has provided staffing for the district formation effort. Contracts with both consulting teams end on June 30, 2011.

It is anticipated that the Interlocal District would eventually hire permanent staff to administer its ongoing work. That staff would likely include a director and technical and support staff. In the interim, the Interlocal District would need staff to implement the tasks outlined in Section 2.0 (Work Priorities). This includes the tasks needed to complete formation of the Interlocal District as well as administration of the Flood Authority's ongoing work. This section outlines the anticipated staffing needs of the Interlocal District and recommends options for providing that staff in the interim.

Formation of the Interlocal District will require expertise in setting up special districts, as well as policy and financial analysis to determine whether to remain as the Interlocal District or transition to a Zone District based on the new legislation. The latter will require expertise in areas such as establishing taxes and rates and conducting elections (see Section 5.0). The Interlocal District would also need to provide specialized public outreach to establish public support. In addition, the Interlocal District would need technical and fiscal expertise to develop the Capital Plan. Meeting facilitation skills may also be required to guide the Flood Authority and the interim board through the transition phase of fully establishing the Interlocal District.

The ongoing administrative work of the Interlocal District would require expertise in administering contracts and supervising and reviewing consultant work. Operating the early warning system would require technical expertise in maintaining the web site and gage equipment.

In addition to staffing, the Interlocal District would need to arrange office space and support for the staff, including computers, office equipment, human relations services, accounting, benefits, and more. The Interlocal District would either need to establish a

new office or contract with one of the counties to provide the office space and general administrative support. Either option would be difficult to undertake in the first fiscal year when resources would be limited and the long-term funding of the Interlocal District would be in question. Hiring consultant staff would delay the need to provide office space and other services.

3.1 Options

We see several options for how the Flood Authority could proceed with staffing:

1. Continue the FCS Group contract to provide support with district development. FCS Group has the expertise in the tasks required to fully establish an Interlocal District. The Flood Authority's budget developed for the Capital Budget anticipated that FCS Group would continue in that role.
2. Expand the contract with FCS Group to provide facilitation and general staff support as well as district development support. FCS Group could subcontract with other technical staff, including possibly ESA Adolfson, as needed to meet all of the staffing requirements.
3. Hire FCS Group to provide support in district development and hire an Interim Director and other staff to provide other services. This would require hiring staff on short notice and possibly for a short duration and providing office space. Hiring the interim staff could be difficult to achieve in the first year given the short timeframe and limited initial funding.
4. Hire FCS Group to provide support in district development and issue a Request for Proposals for a new firm to provide staff support and program management. The selection process for hiring a new firm is typically lengthy (several months) and the learning curve for the new program manager would be steep.
5. Use County staff to provide some of the services such as contract administration and maintaining the early warning system.

3.2 Recommendations

Our recommendation is a combination of Options 1, 2, and 5. We believe the Flood Authority's best option is to continue its established relationship with FCS Group. In addition to providing continued Interlocal District development support, FCS Group could serve as program administrator and facilitator. FCS Group is well positioned to subcontract with other firms to provide any additional technical services. Relying on consultant staff in the interim would also avoid the necessity for providing office space and equipment.

There are some services that County staff could provide. Lewis County has served as fiscal agent for the Flood Authority and handled the financial aspects of administering consultant contracts. Some County staff may also have the expertise to maintain the early warning system and may be able to provide other services not listed here.

4.0 ROLE OF THE FLOOD AUTHORITY

At this point, it is unclear what the role of the Flood Authority will be after July 1, 2011. Presumably, the Flood Authority will end operations once the Interlocal District is adequately established. The following questions need to be considered:

- Would the Flood Authority continue during the transition period?
- What role would it play?
- How would it be staffed?
- When would it end operations?
- What will happen with Flood Authority documents and meeting materials?

4.1 Options

We have identified the following preliminary options:

1. The Flood Authority would cease to exist on July 1, 2011. All of the responsibilities and work of the Flood Authority would be turned over to the interim Board of Directors of the Interlocal District and its staff.
2. The Flood Authority would continue to operate after July 1, 2011, and take responsibility for some of the ongoing work. This scenario could cause an overlap of authorities and would likely create a burden on staff time and possibly an unnecessary need for additional staff.
3. The Flood Authority could become an advisory committee to the Interlocal District once an interim Board of Directors is established.
4. Flood Authority member jurisdictions could become part of a single, broader Advisory Committee that would also include other interests, as discussed earlier in this report.

4.2 Recommendations

We recommend a combination of Option 1 and Option 4. To avoid the confusion and unnecessary expense of extra resources that overlapping entities would cause, the Flood Authority should cease to function and transfer its responsibilities and workload over to the Interlocal District. Both Options 3 and 4 are appropriate, but Option 4 is likely to be less confusing and more efficient.

5.0 FUTURE GOVERNANCE OPTIONS

Currently, the Flood Authority members have agreed to form an Interlocal District. They have also developed legislation that would allow formation of a multi-jurisdiction flood control zone district (Zone District). That legislation is currently being considered by the state Legislature. If passed, the Interlocal District would have the option of forming a Zone District anytime thereafter.

Transitioning to a Zone District would require an amended interlocal agreement with the Interlocal District members and additional amendments to ongoing contracts. The Zone District would need to maintain relationships with contractors, the State, Lewis County as fiscal agent, and with any Advisory Committee that exists at the time. It would also require working with the county auditors to establish new precincts.

Once formed, the Zone District would need to undertake or assume tasks already being performed by the Interlocal District (see Section 2.0, Work Priorities). Unless already established in its formation interlocal agreement, the Zone District would need to decide how to fund its programs, whether to elect its board members, and whether to hold a public vote on its funding program.

There are tradeoffs between the Interlocal District and the Zone District that will impact the options for public ballots and funding. Without the transition to a Zone District, the only option for holding public ballots is at the level of each jurisdiction (i.e., each county and the Chehalis Tribe). Likewise, the only option for raising funding without the transition to a Zone District is at the level of each jurisdiction through allocations. To hold a regional ballot on either board membership or funding that conforms to the “one person one vote” rule (equal representation), new precincts must be formed comprising the boundary of the Zone District.

Options	Interlocal District	Zone District
Electing members	By jurisdiction	Whole region
Setting taxes & rates	By jurisdiction	Uniform throughout region if authorized by members
Funding decisions	By jurisdiction	By region

6.0 NEXT STEPS

As you prepare for the special work session on March 31 to discuss these issues, please be prepared to answer the following questions:

- Have we identified all of the issues that need to be addressed in preparing for the transition period?
- Are any other options, other than those we have identified, available to the Flood Authority/Interlocal District?
- Which options are preferable?

On March 31, we will review and discuss the issues and preliminary options for your feedback. Our hope is that the Flood Authority will be ready to start making the critical decisions about how to proceed. To make a smooth transition in a timely fashion, decisions on these issues will need to be finalized in the next month or two.