Funding a Multi-Objective Flood Control Project in a Climate of Drought ($$$):

A Re-examination of the Federal/Local Funding Model

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September 10, 2015
Outline

- Project Background
- Authorization vs. Appropriation
- NED vs. LPP
- Doing Business in Post-Earmark Era
Riverside County Data

- 7,308 Square Miles
Riverside County Data

- 7,308 Square Miles
- Population – 2.3 million
- Valleys, Mountains and Deserts
- Annual Rainfall of 6” – 12”
Watershed Factoids

- Watershed Area: 220mi²
- Major Tributaries: Warm Springs Creek, Santa Gertrudis Creek, Slaughterhouse Canyon Creek, Cole Canyon Creek, Long Canyon Creek, Empire Creek
- Peak Flow Rate at Downstream End: 33,000 cfs
- Drains to Pacific Ocean
Flooding History

- Late 1800s Floods of Record
- Major Events in 1938, 1969 and 1993
- Creation of Master Drainage Plan in 1986
- 1993 Storm Damages:
  - $12 Million to Temecula and Murrieta
  - $88 Million to Camp Pendleton
Flooding History

- Old Town Temecula
Flooding History

- Old Town Temecula
Flooding History

- Rancho California Road Bridge
Project Factoids

- Project broken up into four phases
- 7 miles of channel improvements
- 270-acre flood control basin
  - 160 acres of environmental restoration
  - 50-acre recreation park
- 7 miles of habitat corridor within channel
- 14 miles of equestrian, pedestrian and bike trails
- Total cost $90M (2000 price level)
  - $167M (2013 price level)
- Federal/Local Split 65/35
Authorization vs. Appropriation

**Authorization**
- Authorizes the appropriation of federal funds to implement the project
- Does **not** give Corps permission to award a construction contract

**Appropriation**
- Legislation the Corps needs before it can award a construction contract
- Dictated by Congressional Appropriations Committee
Project History

- Army Corps of Engineers contacted in 1995
  - Developed Reconnaissance Study
  - Developed Feasibility Report
- Congressional *Authorization* granted in 2000
- Funds *Appropriated* for design and construction begin trickling in
- Phase I gets built
Phase I

- Completed in 2005
Project History

- **Appropriated** Federal funds continue to trickle in and local sponsor continues to pay their share
<table>
<thead>
<tr>
<th>Year</th>
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Project History

- Local Sponsor continues to keep pressure on Congress and the Corps

- Result: No *appropriated* construction funding and nothing to show for the money received

- Now it’s 2012
  - Locals are ready to ditch the Corps
  - Corps agree to come up with a plan but first….
NED vs. LPP

- National Economic Development (NED)
  - Corps Preferred Plan
  - Benefit Cost Ratio 1.1
  - Above and beyond the LPP (flood damage/environmental restoration benefits)
  - Did not cover entire community

- Locally Preferred Plan (LPP)
  - Local’s Preferred Plan
  - Benefit Cost Ratio 0.37

- Role of Limited Reevaluation Report (LRR)
Limited Reevaluation Report (LRR)

- Developed through Post-Authorization Change Report
- “Defers” Phase IA and IV
LRR

- Develop Post-Authorization Change Report
- Defers Phase IA and IV
- Increases benefit-cost ratio to 1.23
- Revises project cost to $115 Million
- Reduces local obligation from $58.5 Million to $40 Million
- Warning: LRR not for everyone
NED vs. LPP

- NED and LPP plans
- Role of Limited Reevaluation Report (LRR)
- Role of the Independent External Peer Review (IEPR)
  - Must be 100% Federally funded
  - Waiver possible but difficult to obtain
- Difficulty of Monetizing Project Environmental Benefits
Doing Business in Post-Earmark Era

- Accelerated (Local) Funding
  - Allows for locals to “accelerate” cost-share (<=35%)

- Advanced (Local) Funding
  - Allows for locals to “advance” beyond cost-share (>35%)
To be classified as an “earmark spending”, one or more of the following characteristics may apply:

- The requested funding is not specifically authorized as necessary for the basic operations of the government in the annual budget.
- The funding is requested by only one chamber of Congress.
- The funding was not included in the president's budget request.
- The funding results in a substantial increase over the amounts projected in the president's budget.
- The funding is for a project that will benefit a small population or a narrow special interest.
Congress’s View

- “… provisions associated with legislation (appropriations or general legislation) that specify certain congressional spending priorities or in revenue bills that apply to a very limited number of individuals or entities.”

- Congressional Research Service
Administration’s View

“…funds provided by the Congress for projects, programs, or grants where the purported congressional direction … circumvents or otherwise curtails the ability of the executive branch to manage its statutory and constitutional responsibilities pertaining to the funds allocation process.”

- Office of Management and Budget
Earmark Reform

- “Bridge To Nowhere” (2005)
  - $223 million earmark to fund the construction of a bridge from Ketchikan, AK [Pop. 8,900], to the tiny island of Gravina, AK
  - Inserted in a bill to provide funding for reconstruction efforts after Hurricane Katrina
  - In 2007, Congress stripped the earmark
Earmark Reform

- Provide Increase Transparency / Disclosure / Accountability
  - Identify Sponsor
  - Identify Beneficiary
  - Identify Funding Level
  - Public Disclosure (internet)
Earmark Reform


- Effectively superseded by November 2010 House of Representatives “moratorium” on Congressional Earmarks (and supported by the Administration)
Cost-Share Agreement Process

- Total time from original request to execution: Over 2 years
## Show Me The Money

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Key Takeaways

- Authorized projects
- Consider re-scoping the project if BCR is low
  - Requires an approved LRR
  - Revising agreement is a long process
  - Expect surprises along the way
- Be patient, if you can afford it
Questions?