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DEPARTMENT OF
PUBLIC WORKS

CITY OF SACRAMENTO
CALIFORNIA

1391-35TH AVENUE
SACRAMENTO, CA
95822-2911

DIVISION OF
FLOOD CONTROL AND SEWERS

916-449-5271

June 20, 1990

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: **REPORT BACK - STATE AUDIT OF FLOOD DAMAGE REPAIR FUNDS
(CORTESE - AB2536)**

SUMMARY

As requested by the Budget and Finance Committee during the Public Works budget hearing, this report summarizes the status of the audit by the State of California of City expenditures of flood damage repair funds advanced under a bill authored by Assemblyman Cortese and passed into law in 1986. Even allowing for time for the City's appeal, it is anticipated that the entire amount of this funding will be needed in fiscal year 1990-91.

BACKGROUND

The severe storms that occurred in February 1986 revealed that there were several areas in the City which required immediate attention because record high water passed through low areas in the levee that had been thought previously to be at sufficient elevation of a 100-year storm. These areas were on Arcade Creek at Hagginswood and at some locations along Arcade Creek and the East Main Drain where levees had been built up, leaving the bridges and railroads at a lower elevation through the levee section. Damage was also discovered at locations on the

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Beach Lake levees; and in February 1987 a section of Sacramento River wall south of Tower Bridge, weakened by high water and internal erosion, collapsed into the river, causing erosion of the levee. The City funded corrective repair of each of the areas after it was determined that funding would not be available from the Federal Emergency Management Agency (FEMA) or the Corps of Engineers (COE).

The City sought reimbursement of its outlays for these projects from the State under provisions of AB2536, Cortese, for disaster relief not covered by federal assistance. After review with and upon the recommendation of the County of Sacramento, the State reimbursed the City \$2,651,594. In February 1990 the State Department of Finance initiated an audit and review of expenditures to the County of Sacramento and the City. A draft report of the findings of the audit has not been released as of the date of this report, but it is due very soon. The report will be sent to the County because the State holds the County to have primary responsibility for disbursement of the funds. The audit team conducted a verbal de-briefing of Flood Control and Sewer Division personnel following review of the records of the division and the Department of Public Works. The following is a summary of the debriefing.

1. Initial Claim for Floodfight Costs: \$522,845 Claimed; \$147,000 Disallowed

Claim was submitted for direct and indirect labor costs of various City departments involved in the flood fight and for damage to vehicles related to high water. The auditors will be recommending disallowance of indirect labor costs above the 10% maximum stated in AB 2536; auditors also recommended disallowance of some vehicle repairs claimed because there were no notations on work orders that repairs were made because of flood damage.

DIVISION REVIEW:

The City has used an indirect labor charge of 18.7%, representing the accrued vacation, sick leave, and holiday pay incurred for each employee annually, for several years. This cost is incurred as time but can be paid off at termination. In our opinion, the overhead limitation at 10% does not reflect the realities of government employment in most locations.

2. Riverwall Rehabilitation Project (WC41): \$1,137,000 Claimed; All costs disallowed

Claim was submitted for 80% of the total project costs, the portion specifically related to demolition of the docks structure on the water side of the primary levee, to soil testing and evaluation prior to reconstruction, and to actual reconstruction within the prescribed area of damage. Auditors will be recommending that all costs be disallowed because there was no written evidence that funding was sought from the CoE or FEMA; the auditors also questioned the scope of the project, stating that \$250,000 may be approved because that amount was requested by Mel Johnson, Director of Public Works, in an initial letter to the County.

DIVISION REVIEW:

After the discovery of the damage, a meeting was held on-site with City and CoE staff, at which time the City requested funds under PL-99. CoE denied the request verbally, citing lack of urgency (i.e., flows had receded in the river) and that there were many other sites with more serious flood damage and erosion. This project was not a betterment because erosion of the embankment and levee was imminent. Later reports to CoE and City Council have detailed other work on the riverwall that needs to be done to maintain integrity. The auditors failed to recognize that the initial request for funds also stated that the full scope of damage had not been assessed and that more funds would be requested if a complete analysis of the project revealed additional hidden damage. The auditors' willingness to accept the concept of the projects should indicate an acceptance of the full cost of the project.

3. Beach Lake Levee Project (WA86): \$520,303 Claimed; All costs disallowed

Claim was submitted for corrective repair performed following the discovery of cracks and slippage on the secondary levee in the Beach Lake area. Auditors will be recommending that all costs be disallowed because there was no written evidence that funding was sought from the CoE or FEMA; the auditors also questioned the scope of the project, stating that the project clearly was a betterment to existing structures.

DIVISION REVIEW:

This levee was unstable following the February 1986 storms, with obvious cracking and sluff (slippage) caused by hydrostatic pressure from lake formed by storm waters. The work done, including the installation of a counter berm on the back side of the levee, was the same as the work performed by the CoE on the Garden Highway under Public Law 99. This was not a betterment; there was no increase in the level of protection nor was the levee raised. This is not a project levee and was ineligible for CoE consideration.

4. Arcade Creek at Hagginwood Park (WA91): \$152,446 Claimed; All costs disallowed

Claim was submitted for the cost of plugging a gap in the secondary embankment along Arcade Creek following the discovery that high water passed through the gap. Auditors will be recommending that all costs be disallowed because there was no written evidence that funding was sought from the CoE or FEMA; the auditors also questioned the scope of the project, stating that the project clearly was a betterment to existing structures.

DIVISION REVIEW:

The work done in this area was to install a 3 foot high berm from the end of the existing secondary levee to close a gap; there was other work done upstream where erosion of the levee threatened to cause failure. There had not been any storm this severe so there was no reason to believe that the existing berm was insufficient to prevent flooding from Arcade Creek at the site. This site is not a project levee and is not eligible for PL-99 funds under CoE guidelines.

5. Floodgate Projects (WB11): \$319,000 Claimed; All costs disallowed

Claim was submitted for the cost of constructing floodgates at various locations on streets crossing Arcade Creek and the East Main Drain when high water passed through the gaps in the levees at the points where the streets intersect the levees. Auditors were recommending that all cost be disallowed because there was no written evidence that funding was sought from the CoE or FEMA; the auditors also questioned the scope of the project, stating that the project clearly was a betterment to existing structures.

DIVISION REVIEW:

The work done was to install floodgate at points in secondary levees along Arcade Creek and the East Main Drain intersected by roads and railroads, where levees had been built up, leaving the bridges at a lower elevation through the levee section; these gaps allowed flooding to occur. There had not been any storm this severe so there was no reason to believe that the existing berm was insufficient to prevent flooding from Arcade Creek or the East Main Drain at these sites. These sites are not on project levees and are not eligible for PL-99 funds under CoE guidelines.

In each of the abovementioned projects, the work performed was the result of a perceived threat to the integrity of the primary and secondary levee systems that protect the City or to actual evidence that high water had bypassed the levee system.

The State Department of Finance has conducted twenty-seven audits of disbursements to local government agencies under the provisions of AB 2536. In sixteen cases the Department auditors have recommended reimbursement to the State of amounts between 60% and 100% of the original disbursement.

FINANCIAL

The estimated cost to reimburse the State in the event that the amount is upheld on review is \$1,990,000. The draft report is anticipated to be released in late June 1990, at which time the County will have between 30 and 60 days to respond. There is no known date on which a final report will be issued by the State Department of Finance or on which reimbursement to the State will be requested from the County, however, it is expected that even with appeals by the City, the full funding may be needed in fiscal year 1990-91. The increase of storm drainage rates in fiscal year 1990-91 needed to pay this reimbursement is estimated to be 13.1%. There is not a sufficient contingency reserve to offset this outlay.

POLICY CONSIDERATIONS

There are no new policy considerations in this report.

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MBE/WBE EFFORTS

This report has no implications in MBE/WBE efforts.

RECOMMENDATION

This report is for informational purposes only.

Respectfully submitted,

for 

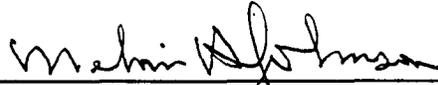
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All Districts
June 20, 1990