**A MORE VIABLE AND PROMISING FUTURE IS BEGINNING TO UNFOLD FOR BIMID**

It’s been said that “the past is another country; they do things differently there, “and “we are too often nostalgic for times that never really were.” Just two good reasons to look to the future, which for BIMID and Bethel Island is looking increasingly more promising over the next several years.

Its February 18, 2016 Board meeting was pivotal for the Bethel Island Municipal Improvement District. It was at that meeting that the following two historically significant events (what many would these days refer to as “game changers”) converged:

1. The approval of the long awaited Infrastructure, Transfer, Maintenance and Operations Agreement between BIMID and Delta Coves.
2. The adoption of the Revised Mid-Year FY 2015-16 BIMID Budget that programs into it for the first time ever the first year revenues from the Assessment District for Levee and Flood Control Facilities and Maintenance, Repair and Improvements (LFCF) approved by public ballot in August, 2015.

Each on its own terms, but all the more so the two in combination, will dramatically shift BIMID’s future long term financial prospects as 2016 begins a transformative time for BIMID to become, and to accomplish, so much more than we’ve ever been able to before. So from this point forward, BIMID has the unprecedented opportunity to become more of a “going concern,” in stark contrast to the struggling, erratically funded organization it has tended to be during most of its history.

BIMID/DELTA COVES AGREEMENT

Overview

Culminating a long negotiation period, which got back underway following a 7-year delay due to the 2008 recession, this Agreement establishes the formal contractual arrangement for BIMID to assume responsibility for the maintenance and operation of nearly all equipment and facilities of the Delta Coves development. It involves a carefully developed structure that will combine technical service contracts and additional dedicated BIMID staffing as cost effectively as possible.

The only exception will be Delta Coves’ Lagoon Circulation System, the maintenance and operation of which will be the responsibility of the Delta Coves Homeowners Association. This will spare BIMID from being subject to related water quality compliance regulations. Exclusion of the Lagoon Circulation System has been intended all along since BIMID’s 2005 adoption of Resolution No. 05-02-03. It was also clarified during this negotiation process that all other water quality compliance requirements related to the Delta Coves development, and to BIMID’s contractual obligations to service all its other equipment and facilities, fall fully under the County’s NPDES (National Pollution Discharge Elimination System) permit obligations.

Financial Separation, and System Integrity

All Delta Coves maintenance and operations responsibilities being assumed by BIMID under this Agreement will be kept and accounted for totally separately and apart from BIMID’s own financial structure to assure that no BIMID revenues are never put at risk. In addition BIMID will not assume these responsibilities until (1) the Delta Coves Community Facilities District (CFD) is established to fully fund the maintenance and operations responsibilities under this Agreement, and its revenues actually become available to BIMID, and (2) all the equipment and facilities are “signed off” and fully accepted by both County Public Works and BIMID’s District Engineer.(particularly after largely lying fallow and not being operated since their installation prior to the recession). These are both expected to occur by the end of this calendar year, or by January, 2017. From that point forward, the equipment and facilities to be maintained and operated by BIMID will include (1) the Perimeter Levee System and Rock Slope Protection, (2) the Delta Coves Drainage Pump Stations, Storm Drainage and Seepage Control Systems, and (3) the Sheet Pile Breach Structure. Again, as emphasized above, they will not include the Lagoon Circulation System.

Other Initial and Ongoing Financial Protections

To further protect BIMID in particular during the initial period of this Agreement, prior to the first year of operation two Deposits will be made to BIMID totaling $574,900, the calculated equivalent of First Year Operational Costs. This will assure that BIMID is fully funded ahead of time before the first year of operation actually gets underway In addition, a $1 million Contingency Emergency Reserve Fund will also be paid to BIMID up front from the CFD proceeds to assure that BIMID has such a financial “safety net” to fall back on, and is therefore financially protected from the outset from the additional costs of any unanticipated emergencies or significant failures of the facilities beyond what is provided for in the Maintenance and Operations Budget. To further protect both BIMID and the Delta Coves development over time, and assure the long term financial solvency of this Agreement, its Annual Assessment that generates the funds to carry out it out (starting the first year at $574,900) may be increased up to 2.5% annually by BIMID to keep it current and viable.

BIMID Benefits

BIMID will benefit directly under this Agreement by (1) increasing the depth, breadth and resiliency of our small organization due to the funding of approximately 1¼ full time equivalent additional staffing, depending on (1) the extent to which specific responsibilities/skill sets might best be handled by contract, or by existing or new BIMID staff, and (2) how different required staff functions may be combined into one position, and/or shared between two or more full time or part time positions. Of its initial $574,900 annual budget, approximately $163,000 will be in support of direct BIMID staff costs dedicated to these contractual obligations, with over $20,000 additional provided for BIMID equipment usage, and general field maintenance and repairs.

In addition to such direct staff augmentation of BIMID as an organization, a significant amount of the Delta Coves Budget is also earmarked for BIMID General Administration to help support such efforts under the Agreement, beginning at $77,200 for the first operational year. At nearly twice the annual amount for Administrative Support as provided by the Assessment District, this will also help impart considerably greater operational and staffing depth, stability, professionalism and sophistication to BIMID overall as a public service organization.

Finally, as also discussed below, BIMID will further benefit from increased Property Taxes over time as Delta Coves builds out, as well as increased Assessment District revenues from Delta Coves as what are now vacant lots become converted into occupied lots in the development.

Overall Community Benefits

Finally, this new development is anticipated to impart considerable community benefits generally, including enhancing the lifestyle, quality of life, and appeal of Bethel Island. This will likely in turn augment property values communitywide, and the generation of associated additional Property Tax revenues to both BIMID and the County (beyond those directly generated by Delta Coves itself) for enhanced services within the community as the Project builds out in the years ahead. The Agreement also includes (1) a Community Outreach provision, constituting a commitment by Delta Coves to fund a community event and/or further park improvements up to $15,000, and (2) a commitment to restore fire hydrants to the “Downtown” area, which were actually increased and have already been installed by Diablo Water District.

FY 2015-16 MID-YEAR REVISED BIMID BUDGET

The FY 2015-16 Budget was originally developed and adopted in June, 2015, based on BIMID’s marginal financial condition at that time, having no idea of course how the then forthcoming Assessment District ballot measure would ultimately turn out. The Assessment District’s approval in August, 2015 made another $216,159 in stable, dependable, assured annual revenue available to BIMID beginning in FY 2015-16, representing about 50% more than what would typically be generated by BIMID’s variable Property Tax revenue alone (which has itself ranged from a high of $543,371 just prior to the recession to a low of $358,642 in the depths of it; and is currently projected at $423,477).

The annual Mid-Year Revised Budget process therefore provided the ideal opportunity to program the new Assessment District revenues into the FY 2015-16 Budget, the first payment of which was only received in December along with the usual first allocation of Property Tax revenues.

Assessment District

As it was adopted on February 18, with only one temporary one-time exception (as explained below), the Mid-Year Revised FY 2015-16 Budget allocates the new Assessment District revenues in the proportions that had been presented in the ballot informational materials and at the four Community Workshops; 57% ($123,211) for Major Project Local Shares for DWR, CDBG and other grants, 26% ($56,201) for Enhanced Levee Maintenance costs, and 17% (36,747) for Administrative Support.

As they will be each Fiscal Year, FY 2015-16 Enhanced Levee Maintenance and Administrative Support components are now fully programmed into the Operational Budget to cover these costs. This relieves the General Fund from bearing the full financial responsibility for them, thereby enabling it to regain the substantial ground lost during the recession and begin restoring BIMID’s depleted carryover Reserve Funds. This also strengthens BIMID’s operational cash flow capabilities during the “bridge funding” dry period between July 1 and the mid-December receipt of our first major annual revenue allocations. Most importantly, it will also increase over time the amount of General Fund revenues that will become available for enhanced Subventions activities, and for DWR Special Project Local Shares in the future (in addition to the 57% dedicated amount allocated for that purpose from our annual Assessment District revenues themselves)..

That 57% ($123,211) Major Project Local Shares amount has been allocated in the FY 2015-16 Mid-Year Revised Budget as follows:

* $9,998 for BIMID’s 25% local match for the CDBG Pump Replacement/Upgrade Project
* $10,624 for the remaining FY 2015-16 5% DWR local share of the 2015 HMP Project
* $30,800 for BIMID’s 6% DWR local share, plus DWR retention, of the design, engineering, environmental and permitting pre-construction phase of the Horseshoe Bend Project
* $68,051 reimbursement of General Fund for Assessment District setup costs.

The final bullet point constitutes the temporary one-time exception mentioned above, the provision under State Proposition 218 allowing the set-up costs for the Assessment District to be reimbursed to the General Fund. Overall, therefore, following this initial transitional year, BIMID still carries a remaining carryover balance of $3,838 to be added to the 57% Major Project Local Shares allocation in FY 2016-17, the first construction year of the Horseshoe Bend Project. In the meantime, the District Engineer has just completed the initial application under a new DWR Project Solicitation Package (PSP) for a substantial new major levee upgrade project that will include remaining portions of the vulnerable north part of Bethel Island west of Horseshoe Bend, along with portions of the south part of Bethel Island impacted by substantial longstanding seepage issues. This highlights the unprecedented potential made possible by the Assessment District to continue looking towards the future in a way we’ve never been able to do before.

Operational and Subventions Budget

The infusion of the 26% Enhanced Levee Maintenance ($56,201) and 17% Administrative Support ($36,747) into the Revised Mid-Year FY 2015-16 Budget has also enabled this to become a year of recovery and restoration for BIMID organizationally as well. The overriding intention is to essentially at long last be able to “get our house back in order,” and provide a firmer, more solvent operational and staffing foundation to build upon from this point forward.

As this season’s El Nino begins to wind down, and we enter the more typically dry weather of spring, Bethel Island residents and property owners can look forward to the placement of more rip rap on the levee than has been possible for the past several years. That will enable BIMID to take much fuller advantage of DWR’s Subventions Program reimbursements, and achieve a more consistent, considerably higher ongoing standard of levee maintenance in the years ahead. Due to the required tracking and monitoring of both the Assessment District and forthcoming Delta Coves Agreement CFD revenues, and the additional skill sets that will be required, BIMID will by necessity become more complex organizationally. BIMID will for now remain largely as it has been, operating as cost effectively as possible on a day to day basis, but with modest technology upgrades (some computer enhancements and a new copier with much needed color capability).

Given her intimate experience, skill and adeptness with the unique financial characteristics of a levee district, the intricacies of DWR Subventions and Special Projects funding dynamics, BIMID remains fortunate during this significant time of transition to have the skilled financial expertise of its longtime – now halftime – District Clerk, all the more so given the similar new Assessment District and Delta Coves CFD monitoring and reporting requirements. As of July 1, 2016, she will convert from BIMID employee to the more specific role of halftime Financial Consultant for BIMID, a more typical and cost effective specialized arrangement for such a small local public agency.

We are also at long last able to begin addressing severe equipment replacement needs, including a “new used” service truck and mud buckets for the excavator and backhoe, in the Revised Mid-Year FY 2015-16 Budget. An annual “set aside” in future years will also create a “sinking fund” in anticipation of future scheduled equipment replacement needs on a more proactive rather than crisis-oriented basis (including meeting stricter forthcoming State diesel emissions compliance standards for BIMID’s equipment fleet, particularly for our loaders).

As emphasized in the preceding Delta Coves discussion, not until we’re further along toward CFD funded implementation of the Delta Coves Agreement later this calendar year will we be able in earnest to enhance the breadth and depth of BIMID staff. However, beginning with the 4th quarter of FY 2015-16, and into FY 2016-17, the Board has approved the creation of a 15-hour per week Assistant Secretary position, with the current Assistant Secretary becoming Secretary and remaining for now on a halftime basis. This new PT Assistant Secretary will provide backup for the Secretary as may be needed for illness and vacation purposes, as well as enable the BIMID office to be open at least a few more hours during the week for the convenience of the public.

Finally, the Board considered it organizationally imperative and a top priority that this Revised Budget also include fair, reasonable, well-deserved, and long overdue “catch up” adjustments in staff compensation after several years with no cost of living or merit salary increases whatsoever. Following a careful evaluation of the wage history of BIMID employees over the past several years, it was clear to the Board that they had borne the brunt of the recession, yet had loyally and competently hung in there with BIMID, continuing to perform their responsibilities as best they could year after year despite severely reduced resources. It was determined that they should not have to wait any longer, and not to further delay bringing their respective salaries current, i.e. up to what they likely would have been had it not been for the damage wrought by the recession.

Although BIMID employees can clearly never recover the salary revenue lost during this extended multi-year period, prudently applying a reduced version of the Bay Area CPI, it is the Board’s purpose, intent and resolve that their respective salaries be stabilized at present day equivalents so they need lose no further ground in the future. It should be noted that, while this was already intended to be addressed during the Mid-Year Budget process, it just so happens that the County’s projected FY 2015-16 Property Tax revenues for BIMID increased from the $393,000 in the original Budget adopted last June to $423,477 due to recovering Bethel Island property values. This increase of $30, 477 was more than enough to fully cover in itself the $30,405 cost for both these staff salary adjustments, and the additional part time Assistant Secretary position, so did not have to rely on any of the additional Assessment District revenues to be implemented.

All of the above is being accomplished within the Revised Mid-Year FY 2015-16 Budget, while nonetheless still attaining its highest priority to restore the General Fund carryover Reserve balance to at least $150,000 (it will actually be $202,715, nearly 4X that in the original FY 2015-16 Budget adopted in June, 2015).. Even during this transition year, and with Delta Coves yet to come, BIMID already appears well on its way to that more solvent and productive future we had envisioned the Assessment District would at long last open up for us.