



Monterey County

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Budget Committee

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- a. Receive a report on the prioritization as provided by the Capital Improvement Committee (CIC) of the 2017 Winter Storm Damage repair projects and a financial update; and
- b. Provide direction to staff for recommending funding options to the BOS.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Receive a report on the prioritization as provided by the CIC of the 2017 Winter Storm Damage repair projects and a financial update; and
- b. Provide direction to staff for recommending funding options to the BOS.

SUMMARY:

Resource Management Agency (RMA) has developed a matrix of 2017 Winter Storm Damage projects. Staff is seeking direction from the Budget Committee for financing options.

RMA is providing a 2017 Winter Storm financial update that summarizes how the \$16.8 million the Board of Supervisors allocated for critical repairs in response to winter storms has been spent or committed. Staff requests consideration of several financing options to fund costs and commitments exceeding the \$16.8 million allocation.

DISCUSSION:

On January 23, 2018, RMA presented an update to the Board of Supervisors regarding the status of the 2017 Winter Storm Damage repair projects, Federal Emergency Management Agency (FEMA) reimbursement, and 2018 winterization. The report identified a list of FEMA Road Fund projects that equate to an unfunded need of approximately \$31.2 million.

The Board directed staff to develop criteria, present to special CIC Meeting, and return 2/13/18 to BOS with a list prioritizing the pending 2017 Winter Storm Damage projects based on specific criteria. Due to funding challenges, this item was scheduled for BC to consider and recommend funding options to BOS on 3/13/18. Based on discussion from that meeting, staff created the following criteria to rank the project: Public Safety, Function, Project Readiness, and Funding Eligibility. Staff assigned weights to the criterion of approximately 37%, 30%, 18%, and 15%, respectively, based on significance and staff's understanding of the Board's priority. See **Attachment A** for the criteria and weighting factors.

Using this criteria and weighting factors, staff developed a priority list for pending 2017 Winter Storm Damage Projects (**Attachment B**). Staff is seeking direction from the Budget Committee to develop a recommendation to the Board of Supervisors regarding funding options so the Board can make an

informed decision about what, if any, Winter Storm projects should be funded and how those projects are prioritized.

A financial update is provided to help the decision-making process on how to address the remaining Winter Storm projects. On March 14, 2017, the Board of Supervisors approved allocating \$16.8 million from the Strategic Reserve to the Disaster Assistance fund to make critical repairs in response to Winter Storm damages through February 16, 2017 and the Soberanes Fire of 2016. This allocation did not address an additional atmospheric storm event that continued through February 20, 2017, which caused even more damage to public infrastructure, raising the total damages County-wide to approximately \$62.3 million. This allocation helped address much needed clean-up, debris removal and repairs but leaves an unprecedented unfunded repair and restoration balance of \$45.5 million.

Due to the catastrophic nature of the 2017 Winter Storms and the severity of the damages that posed life and safety concerns, the County has expended and committed \$15.5 million and \$9.0 million respectively, for a total of \$24.5 million of storm associated costs. Expenditures of \$15.5 million have been spent as follows: \$14.7 million in the Road Fund, \$448,000 in Special Districts, \$292,000 in the General Fund and \$32,000 in the Lakes Resort. In addition, there are outstanding contract commitments for the Cachagua Road project totaling \$1.5 million and another \$900,000 for Debris Removal and other emergency repair projects. There is also a conditional contract award for the Palo Colorado Road at Rocky Creek Crossing contract, with related staff time, totaling \$4.9 million. Additional commitments made by the Board of Supervisors totaling \$1.7 million include the Pajaro County Sanitation District project for \$1.5 million and the Boronda County Sanitation District - San Jerardo project for \$189,000.

If the \$9.0 million in commitments is expended, the \$16.8 million allocated by the Board would be exceeded by \$7.7 million. The Road Fund cannot absorb the additional road repair commitments since the erosion of the Highway Users Tax Allocation (HUTA or Gas Tax) over the past three (3) years and increases in non-discretionary expenditures have eroded fund balance to the extent that the Road Fund began the fiscal year with a negative fund balance of \$2.8 million. The Road Fund is also grappling with a \$5.5 million increase in the County-wide Cost Allocation Plan (COWCAP) charges where there is no identified funding to cover this unexpected increase in cost.

In addition to the \$7.7 million, \$2.0 million is needed to complete the debris removal for the February storm event. The debris removal work is expected to take 6-8 weeks from the time the funds are appropriated and completed by April 1, 2018, to remain eligible for FEMA reimbursement. Staff is seeking funds to complete the additional debris removal. When including the commitments that exceed the \$16.8 allocation of \$7.7 million with the \$2.0 million for debris removal, there is an overall \$9.7 million shortfall.

Aside from the funding, there are staff and contractor resource constraints, that limit the amount of work that can be completed within the timeframe required by the funding programs. Staff is concerned that taking on added projects will require additional project management capacity that is currently unavailable within the RMA.

OTHER AGENCY INVOLVEMENT:

RMA consulted with Office of Emergency Services (OES) and the CAO Office on the criteria and

weighting factors used for the prioritized list requested by the Board. On February 7, 2018, the Capital Improvement Committee (CIC) reviewed the Criteria and Priority List. The CIC supported the scoring criteria. In addition, they recommended moving the February Debris Removal to the top of the priority list, exploring the possibility of using cannabis funds for this project completion and to revise the scoring for the Palo Colorado projects. These recommendations are reflected in Attachment B.

FINANCING:

The County's project cost estimates for the 2017 Winter Storms and Soberanes Fire have risen to \$62.3 million; this includes RMA Road Fund, Special Districts, the General Fund, and the Lake Resort. To date, the County has expended and committed \$24.5 million on the response and repair projects; \$22.0 million from the Road Fund, \$2.1 million from Special Districts, \$292,000 from the General Fund, and \$32,000 from the Lake Resort. The County has submitted seventy-eight (78) Project Worksheets to FEMA totaling \$30.0 million and ten (10) to the Federal Highway Administration (FHWA) totaling \$11.5 million. FEMA has accepted fifty-one (51) projects totaling \$16.3 million where up to 93.75% or \$15.2 million is eligible for reimbursement from FEMA. The California Office of Emergency Services (Cal OES) and FHWA have collectively accepted ten (10) projects submitted for \$10.0 million where approximately 88.5% or \$8.9 million is eligible for reimbursement. At this point, FEMA and Cal OES have only obligated \$2,105,223, meaning federal funds have been transferred to the State to reimburse the County. However, only \$294,418 has been received by the County.

RMA has identified possible options for consideration to address 2017 Winter Storm related repair cost exceeding the \$16.8 million original allocation:

- (1) Reprioritize funds from future SB1 or Measure X to apply towards both completed and remaining projects. This option will lead to delay of projects already programed for the current fiscal year, and could impact projects promised as part of Measure X. If this option is selected, given the process required to re-program funds, RMA would bring the list to the Budget and Capital Improvement Committees. Staff could expedite the re-programing of funds to avoid further delays if the committees are bypassed. Following approval by the Board, staff would coordinate these changes with the Transportation Agency for Monterey County (TAMC) and California Department of Transportation (CALTRANS) to formalize any changes to the approved project list(s).
- (2) Appropriate uncommitted discretionary funds from the revenue generated by the cannabis tax revenues or other funds that may be available.
- (3) Provide additional appropriations from the Strategic Reserve fund balance (BSA 3111), where the County's share is currently \$27.5 million depending on the projects to be funded.
- (4) Reconsider reallocated funds that are currently tied to conditional contract commitments and other Board commitments.
- (5) Consider bonding against future Measure X payments or other allowable non-general fund revenue to obtain funding for road projects. The California Statewide Communities Development Authority (CSDA) offers a pooled securitization program to assist local agencies, such as the County, in bonding against future payments. The program does not require the County to pledge local General Fund revenue or any other General Fund collateral. However, further research and evaluation is needed before staff could make a recommendation on this option.
- (6) Cease all projects until funding is identified.

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Attachments:

Attachment A - Criteria and Weighting

Attachment B - 2017 Pending Project List