



## Board Report

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**File #: 18-462, Version: 1**

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- a. Receive a follow up report on cash flowing the 2017 Winter Storm Projects;
- b. Approve the use of unassigned fund balance within the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 up to \$25 million to cash flow storm projects eligible for Federal and State reimbursement;
- c. Authorize the Auditor-Controller to amend the FY 2017-18 Adopted Budget for the Facility Master Plan Projects Fund 404-3000-8184-RMA014 by increasing appropriations for operating transfers out as requested by RMA staff up to \$25 million;
- d. Authorize the Auditor-Controller to amend the revenues and appropriations in the FY 2017-18 Adopted Budget for the Road Fund 002-HORC-3000-8195-RMA012, financed by an operating transfer in up to \$25 million from the Facility Master Plan Projects Fund 404-3000-8184-RMA014;
- e. Authorize the use of the General Fund 001 Strategic Reserve to replenish the outstanding cash amount in FY 2020-21 to the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 up to \$25 million resulting from cash flowing the 2017 Winter Storm projects; and
- f. Provide direction to staff to engage in pursuing a loan from the California Infrastructure & Economic Development Bank (IBank). (ADDED VIA ADDENDA)

### RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Receive a follow up report on cash flowing the 2017 Winter Storm Projects;
- b. Approve the use of unassigned fund balance within the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 up to \$25 million to cash flow storm projects eligible for Federal and State reimbursement;
- c. Authorize the Auditor-Controller to amend the FY 2017-18 Adopted Budget for the Facility Master Plan Projects Fund 404-3000-8184-RMA014 by increasing appropriations for operating transfers out as requested by RMA staff up to \$25 million;
- d. Authorize the Auditor-Controller to amend the revenues and appropriations in the FY 2017-18 Adopted Budget for the Road Fund 002-HORC-3000-8195-RMA012, financed by an operating transfer in up to \$25 million from the Facility Master Plan Projects Fund 404-3000-8184-RMA014404-3000-8184-RMA014;
- e. Authorize the use of Strategic Reserve to replenish the outstanding cash amount in 2020-2021 to the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 up to \$25 million resulting from cash flowing the 2017 Winter Storm projects; and
- f. Provide direction to staff to engage in pursuing a loan from the California Infrastructure & Economic Development Bank (IBank).

### SUMMARY:

Staff was directed to prepare a plan for addressing 2017 winter storm projects that have not been completed. To help assess the matter, Resource Management Agency (RMA) developed a detailed matrix including information about: project costs, project timelines, Federal Emergency Management Agency (FEMA) funding, and funding amounts expended on these projects to date. This matrix includes projects that have been completed, partially funded/completed, unfunded/incomplete, including projects that are not eligible for reimbursement.

Additionally, staff worked with the budget office to identify available funding sources to use towards the County contribution or matching funds for completing projects, as well as funds that could be utilized for cash flow purposes until the County is reimbursed by FEMA and the State. The budget office has identified \$25 million in cash, that is not anticipated to be committed in the next two years, that may be used to cash flow projects in anticipation of a portion being reimbursed by FEMA and CAL OES. The amount of reimbursement will depend on how much FEMA deducts as pre-existing conditions.

There are other projects, either not eligible for reimbursement or not part of 2017 Winter Storms that would not be eligible to cash flow using the Fund 404 NMC1 fund balance. Those projects could be funded through the California Infrastructure & Economic Development Bank (IBank) program or Strategic Reserve. Staff recommends returning with those projects separately once the Board has identified which projects to pursue. The Board would need to provide direction on specific projects for staff to bring back to consider using the loan option.

While there is the ability to cash flow additional projects up to \$25 million, the RMA has limited capacity to execute and manage all the projects and will need to augment existing staff to facilitate completing the storm projects. RMA has requested two additional Project Manager positions as part of the FY 2018-19 budget using SB1 and Measure X funding, realizing those funds would increase the workload as well. Contract services could be utilized if the need exceeds a temporary spike in workload, which would be part of the eligible costs.

In addition, there are some projects that will not be able to be performed within the established FEMA timelines which will make them ineligible for reimbursement.

#### DISCUSSION:

On March 14, 2017, the Board of Supervisors (Board) 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. Of the \$16.8 million allocated from the Strategic Reserve, \$8.5 million was designated as the County's share (match) and \$8.3 million was designated to be used to cash flow projects to leverage Federal and State funds.

On March 13, 2018, RMA presented a list of prioritized projects from the 2017 winter storm events along with a scoring criteria approved by the Capital Improvement Committee. The Budget Committee also considered possible funding options for the completion of these projects. The most critical issue is balancing funding, capacity and timing to remain eligible for reimbursement. RMA collaborated with the County Administrative Office (CAO) to first identify if there were possible funding sources within the County, before looking at outside funding options for the completion of the 2017 Winter Storm projects.

In working with the CAO's office, the Winter Storm projects have been grouped into four categories. These categories are as follows:

- Completed/Committed
- FEMA Approved/Obligated
- FEMA Approved/Not Obligated
- FEMA Not Approved/Not Obligated

It is important to define FEMA's terminology of approved and obligated as it pertains to the risk associated in each of the four categories of projects. The increased risk for Approved but not Obligated projects comes from Title 44 - Emergency Management and Assistance Code of Federal Regulations (44CFR) Section 206.202(e). FEMA has 45 days from submittal of the County's projects to FEMA by the State to obligate funds, or it may delay obligation. According to FEMA, "If we have a delay beyond 45 days we will explain the delay to the recipient." - with the recipient being the State. However, the County has already experienced several projects that have been "approved" beyond the 45 days from when they were submitted, yet no funds have been obligated to the State. Projects that are already approved and obligated ensure, from a finance perspective, that funds are available for that project.

While each of the four categories above hold varying levels of risk based on FEMA's approval and obligation, there are no guarantees. Meaning all projects are subject to audit by FEMA at a future date and the outcome of a project audit may result in the County having to pay back funds previously received by FEMA and CAL OES.

- Completed/Committed category includes winter storm related projects where work has been completed and the costs are known or projects for which the Board has authorized work to be performed. There is no additional action required as the Board has provided direction to perform the work. Most of the projects grouped in this category include projects approved and obligated by FEMA, however there are some projects in which FEMA has not approved or obligated.
- Approved/Obligated category of projects, while still pose a financial risk, the risk level is low as FEMA has obligated funds to CAL OES (State). Because FEMA has obligated the funds with the State, these projects are the best candidate projects for the County to cash flow since there is a greater probability of being reimbursed for eligible costs. Projects contained in this grouping are not based on the County's priority ranking, but assist in leveraging Federal and State funds for performing repairs to damaged areas resulting from the 2017 Winter Storms.
- Approved/Not Obligated category of projects poses an increased financial risk over projects that have been approved and obligated. In accordance with 44CFR 206.202(e) FEMA has 45 days from submittal of the County's projects to FEMA by the State to obligate funds, or it may delay obligation. There have been several County projects submitted beyond the 45 days that have not been obligated and there is no indication when or if they will be obligated. Therefore, the County is taking a risk to perform the work on these projects. If the Board authorizes the use of funds from the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 to cash flow these projects, the funds used to cashflow would need to be returned to Fund 404-NMC1 within two years. If the funds were not able to be returned via FEMA reimbursement within two years, then funds would need to be taken from Strategic Reserve to reimburse Fund 404-NMC1.
- Not Approved/Not Obligated category of projects pose a significant financial risk and the use of funds from the Facility Master Plan Projects Fund 404-NMC1-3000-8184-RMA014 as the financing source for cash flowing is not recommended. Included in this category are projects that FEMA may have approved and/or obligated, but are not able to be completed in the timeline requirements established by FEMA. The alternative financing sources recommended for projects that fall under this category would be the use of Strategic Reserve or pursuing an Infrastructure loan through IBank.

The following is a list of projects staff feels can be accomplished within the existing time frame of 2 years. This would include the use of consultants to manage the design and construction of the projects:

<b><u>PROJECT</u></b>	<b><u>Est Cost</u></b>	<b><u>FEMA</u></b>
Remaining Debris Removal (February)	\$5,000,000	\$4,015,000
County Wide Damaged Signs	\$32,651	\$32,651
Blackie Road - Shoulder and asphalt repair	\$400,000	\$256,312
Echo Valley Road - Road Repair	\$275,000	\$76,309
Old Stage Road - Sinkhole Repair	\$115,000	\$145,745
Palo Colorado (Hwy 1 - MP 3.2) - Asphalt & Shoulder Repair	\$600,000	\$354,351
Iverson Road at Gloria Road - Road Reconstruction	\$125,000	\$88,120
Cachagua Road MP 9.5 - Slope Repair	\$200,000	\$135,760
Cathedral Oak Road - Recompanying/Patch paving	\$25,000	\$69,895
Meridian Road @ Archer - Culvert Repair	\$43,123	\$70,421
Pescadero Road - Pavement and Slope Repair	\$75,000	\$42,810
Toro Road - Slope, Road and Guardrail Repair	\$850,000	\$488,873
Viejo road - Shoulder and Asphalt Repair	\$800,000	\$466,172
Tassajara Road - Shoulder and Embankment Repairs (3 sites)	\$234,848	\$234,848
<b>Total</b>	<b>\$8,775,622</b>	<b>\$6,477,267</b>

Staff is managing the County portion of Tasajara Road, and the County portion of Palo Colorado Road, which are both included with the recommended 2017 Winter Storm projects. There are portions of these roads that are federally owned by the United States Forest Service (USFS), which are not eligible for FEMA reimbursement and there are no plans by (USFS) to repair them. As a result, public access to facilities such as Pico Blanco Boy Scout Camp and the Zen Center would not be complete. These facilities provide public benefit and attract tourists that generate Transient Occupancy Tax (TOT). Obligating County funds for federal lands (roads), even through the IBank program, is a policy decision for the Board of Supervisors.

Staff initially identified the Total Road Improvement Program (TRIP) program, which allows counties to leverage a portion of their Gas Tax and/or local Transportation Sales Tax (Measure X) to finance street and highway maintenance and reconstruction projects. This program could leverage up to \$65 million in funding based on the estimated annual revenue through Measure X (30 years). However, the interest rate is extremely high, with very short timelines (milestones) to complete the projects, and there is no option to pre-pay the loan. As a bond, all of the projects being funded would need to be packaged, and would be subject to the short timelines. In addition, these bonds would obligate the Measure X funding, which was passed with the expectation of certain projects being completed, and which are not included in the 2017 winter storm list.

As an alternative, the California Infrastructure & Economic Development Bank (IBank) was identified as an alternative funding source. This is the state's only general purpose financing authority created to finance public infrastructure and private development. IBank has broad statutory authority to issue tax-exempt and taxable revenue bonds. This program has a maximum allowable amount of \$25 million for a single project or up to \$50 million per entity. Prepaying the loan would not be allowed until after the 13<sup>th</sup> year of the 30 year period. The projects need to be completed within two years, projects utilizing this funding source do not need to be packaged as would be the case for the TRIP bond program. This format allows staff to better distribute and manage the workload.

#### **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 the project completion and to revise the scoring for the Palo Colorado projects. On March 8, 2018, the Budget Committee reviewed the financing options for the remaining projects recommending staff examine the IBank program and other funding options within the County.

FINANCING:

There are no available funds within the General Fund to fund up to \$25 million of damages caused by the 2017 Winter Storms. On March 13, 2018, the Board directed the CAO's office to review the County's finances to see if there was a cash source that might be used to leverage Federal and State funds for repairing County infrastructure damaged by the 2017 Winter Storms. The CAO's office has identified up to \$25 million in cash within the Facility Master Plan Project Fund's Unassigned Fund Balance 404-NMC1-3000-8184-RMA014 - 3101 that is uncommitted for the next two years. These funds are available to cash flow winter storm projects that are eligible for Federal and State reimbursement. However, these funds would need to be returned in two years in whole. If the funds used to cash flow are not returned after two years, then the balance outstanding will be transferred out of the County's General Fund 001 Strategic Reserve.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The recommended action will develop a plan that would address the 2017 Winter Storm Damage repair projects. The listed projects would repair and/or reconstruct some of the County's infrastructure damaged as a result of the Winter Storms of 2017 and Soberanes Fire of 2016 resulting in restoration of service and accessibility to the public.

- ☐ Economic Development
- ☒ Administration
- ☐ Health & Human Services
- ☒ Infrastructure
- ☒ Public Safety

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