



dollars in damages, of which \$42.7 million dollars has been submitted to the Federal Emergency Management Agency (FEMA) for reimbursement through the Public Assistance Program (\$7.4 million of ineligible costs primarily non-overtime labor).

Ernst and Young's initial contract for \$780,000 was to provide resources and comprehensive technical assistance with the FEMA public assistance program and hazard mitigation. The firm has been an invaluable partner in navigating through the complex set of federal regulations and procedures. The County has successfully compiled and submitted 46 projects across multiple county departments related to debris removal, emergency protective measures and permanent projects.

We believe that 80-90% of the contract costs will be offset through FEMA's Direct Administrative Charge program. Funding for the original agreement was included as part of the set-aside for the Thomas Fire/Debris flow that the Board allocated with the FY 18-19 budget. A portion of these costs will be paid for with Committed Disaster Recovery Fund Balance (\$250,000) and a portion Public Works Restricted Special Revenue Fund Balances (\$150,000).

The contract amendment to increase funding in the amount of \$400,000 with Ernst & Young is for the following:

- Technical Assistance with California Disaster Assistance Act funds for cost recovery related to recent February 2019 Storm Events (additional service);
- Extending the term of contract for two additional months through August 2019 (extended service);
- Transition and training of all cost recovery activities to County staff by August 2019 (additional service);
- Compilation, closeout and federal compliance review of 2017 Storms (additional service);
- Continued Technical assistance with the County's Hazard Mitigation Grant Program funding requests and applications;
- Continued Technical services to maximize the County's requested \$42.7 M reimbursement from FEMA and CalOES for the Thomas Fire and 1/9 Debris flow disasters; and
- Continued Preparation for future expected audits related to these disasters.

All additional or extended work fall within the original RFP and scope of services within the original agreement. FEMA's public assistance programs are complex, with numerous financial, operational, administrative and environmental requirements, and subject to strict auditing standards over several years. Given the dollar amounts at risk, and the County's inexperience in seeking funding for damages of this magnitude, a financial recovery consultant was always included as part of the Recovery Organization.

### **Background:**

Due to the significance of costs incurred and the degree of damage to County infrastructure, in late January 2018, the County sought the assistance of a qualified accounting firm with experience in FEMA programs and reimbursement protocols to help compile, document, and submit all cost recovery claims to FEMA and the California Governor's Office of Emergency Services (CalOES). The County does not currently have this specialized type of experience or staffing. A panel of County financial professionals requested and reviewed proposals from various firms providing disaster cost recovery services and selected Ernst & Young due to their qualifications and extensive experience in managing disaster cost recovery for local governments.

In addition to helping maximizing the level of cost recovery, one of their most critical roles is to ensure that our claims contain sufficient supporting documentation to withstand any future federal audits. Recovery will take years and management of the federal and State grants will extend beyond the recovery period and staff will need to continue to manage documentation that meets the audit standards of the Federal Office of Inspector General (OIG).

Since the Thomas Fire and 1/9 Debris Flow, County departments, with technical assistance from Ernst & Young, have worked diligently to identify, quantify, and compile all documentation required for their cost recovery claims. Documentation requirements for FEMA are extensive and to date 10,656 documents have been reviewed and compiled into project folders. All identified project costs have been submitted to FEMA. The County has already been approved by FEMA for \$22.2 million dollars' worth of reimbursements of the \$42.7 million expected. It is anticipated that FEMA will approve the remainder of the submitted projects within the next four months. Ernst & Young has provided much needed guidance navigating federal regulations and providing resources compiling documentation, maximizing the County's ability to recover disaster costs. Much of the debris removal and emergency protective measure work has been completed and permanent capital projects are anticipated to continue through December 2019.

### Claim Status

Claim Status	Costs
Projects Approved by FEMA	\$22.2M
Projects Submitted to FEMA	
<i>Review in Progress</i>	\$20.5M
<b>Total</b>	<b>\$42.7M</b>

**Additional Services:** In addition to the primary work effort Ernst and Young continues to provide in connection with the Thomas Fire and 1/9 Debris Flow declared disaster, we have relied on their expertise and experience to assist the County in two additional areas: Hazard Mitigation Grant Program applications; and conducting a compliance and documentation review of pertinent County procurement procedures in exigent circumstances. This would be the first amendment to the original contract.

Winter 2019 Storm Costs: In January and February 2019, the County experienced additional storm events. The most significant of these storms was the recent February 2, 2019 storm that caused the closure of Hwy 101 and the continued closure of Hwy 154, as well as damage to multiple homes and roads. Fortunately, the debris basins have been performing well capturing the bulk of the debris and protecting the community. However, it was and is critical that the County, following each significant storm, immediately clear each debris basin before the next storm. These events however, have associated fiscal impact to County Departments related to:

- First Responder repositioning, evacuation and emergency response
- Emergency Operations Center (EOC) activation
- Debris removal of debris basins, creek channels and public roads

## Winter 2019 Storm Costs

Department	Activity	Estimated Cost
Transportation	Clearing Debris	\$ 290,000
Transportation	Blocked culverts, Flooding, Traffic	\$ 140,000
Transportation	Scour, Embankment Failures	\$ 860,000
Flood	Debris Clearing - Channels	\$ 870,000
Flood	Debris Clearing - Basin Structures	\$ 2,138,000
Fire (overtime only)	Pre-Positioning, Staging	\$ 143,000
Sheriff (overtime only)	Pre-Positioning, Evacuations	\$ 326,000
EOC and General	Emergency Protective Measures	\$ 423,000
		<b>\$ 5,190,000</b>

These costs resulted from damages under the Thomas Fire burn scar and are estimated those costs to be approximately \$5.2 million dollars. Ernst and Young will provide technical assistance with the application of California Disaster Assistance Act funds from the California Office of Emergency Management.

### 2017 Storm Project Closeouts and Compliance Reviews:

The County is in progress of closing FEMA public assistance projects related to 2017 Storms. These projects total approximately \$2.8 million predominantly in Public Works and the Community Services Department. Ernst and Young will provide technical assistance and federal compliance review of documentations to reduce audit risk. These costs are estimated at \$150,000 and will be paid out of Public Works fund balance.

Hazard Mitigation Grant Program Technical Assistance: The County has utilized Ernst & Young to provide technical assistance in conjunction with requests for federal funding under FEMA’s Hazard Mitigation Grant Program (HMGP). The FEMA HMGP is a competitive program and requires a highly technical benefit cost analysis. On August 28, 2018, your Board authorized the Public Works Department to apply for six hazard mitigation grants, with a combined grant value of \$31.3 million and on November 14, 2018, your Board authorized additional HMGP applications for two projects, with a net additional value of \$6.75 million. These projects are currently under review by FEMA and Cal OES.

Compliance Review of Existing County Emergency Procurement Practices: In an effort to ensure that the County’s procurement practices and procedures during exigent periods meet stringent FEMA/Cal OES requirements, Ernst and Young was asked to review our current County procurement manual and procedures. In addition to this review, Ernst & Young provided emergency procurement training for staff from General Services, Auditor-Controller’ Office, CEO’s Office, Public Works, Fire Department and the Sheriff’s Department. Over the next six months, the County will focus on standardizing procedures, emergency project files, documentation organization, and compliance in order to mitigate future audit reimbursement risks.

### **Fiscal Analysis:**

Budgeted: Yes, these funds were established and set aside within the General Fund as part of the Fiscal Year 2018-19 Adopted Budget. All offsetting reimbursement received by the County under the DAC program related to this agreement will be returned to the General Fund.

In December 2018, the Board of Supervisor approved a contract for \$780,000. While a significant portion of the cost recovery process for the Thomas Fire and 1/9 Debris Flow has been accomplished, responding to FEMA inquiries in order to move the remaining claims to an “Approved” status could potentially take several more months. Additionally, the County is requesting additional services as it relates to the 2017 Storms and Winter 2019 Storm events. Therefore, staff is recommending an amendment to agreement to increase the funding amount by \$400,000 and to extend the term two additional months through August 30, 2019.

The County is participating in FEMA’s Public Assistance Direct Administrative Cost (DAC) Pilot Program as an expedited method of recouping a portion of our administrative costs associated with this declared disaster. This relatively new FEMA program allows the County to receive a flat percentage, ranging between 4% - 5%, of all of the County’s eligible emergency and permanent work to cover management and administration of public assistance awards, such as County staff time or consultant costs directly related to meeting federal award administrative requirements. Given that the County’s total eligible project costs are roughly \$42.7 million, the County is eligible to receive between \$1.7 million (4%) and \$2.1 million (5%) under this pilot program depending on the timeliness our project closeout. It is estimated that between 80-90% of the costs incurred under this contract will be reimbursed as administrative charge through the FEMA DAC program. Costs related to the 2017 Storms close out and Compliance reviews are estimated at \$150,000. These costs will be tracked separately and will be paid with Public Works Special Revenue Funds.

According to the program guidance, any excess funds received under this program may be used for cost effective mitigation activities that will reduce the risk of damage in future disasters. Mitigation projects may include items such as the creation of a call center at the EOC, improving our mapping or messaging capability, addressing equipment needs at the EOC, or training and planning for future disaster response and recovery operations.

**Attachments:**

Attachment A: Amendment to the Agreement for Services of Independent Contractor

Attachment B: Budget Revision Request No. 0006203

Attachment C: List of FEMA Public Assistance Program Projects (DR-4353)

**Authored by:**

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