



WASHOE COUNTY

Integrity Communication Service

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HR N/A
Other _____

STAFF REPORT

BOARD MEETING DATE: June 27, 2017

DATE: Thursday, June 08, 2017

TO: Board of County Commissioners

FROM: Mark Mathers, Budget Manager
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THROUGH: Christine Vuletich, Assistant County Manager
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SUBJECT: Recommendation to approve the use of General Fund Contingency in the amount of [\$1,108,289] to cover unanticipated flood-related expenses for Fiscal Year 2016-2017; approve budget appropriation transfers of [\$500,000] between functions within the General Fund to cover additional flood-related expenses for Fiscal Year 2016-2017; approve the commitment of proceeds received from the sale of water rights in Fiscal Year 2016-17 totaling [\$2,895,600] in the Capital Improvements Fund for costs associated with the January and February 2017 flooding events; and direct the Comptroller's Office to make the appropriate budget appropriation transfers (net impact to County Budget is zero). (All Commission Districts)

SUMMARY

Nevada Revised Statute (NRS) 354.598005(5) provides that "budget appropriations may be transferred between functions, funds or contingency accounts if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions". The purpose of this item is to consider approval of the use of general fund contingency and cross-functional appropriation transfers within the General Fund to cover flood-related expenses. All adjustments are within the existing approved budget for Washoe County. Approval of this recommendation will put in place the budget authority for expenditures already incurred for Fiscal Year 2016-17, as well as certain anticipated expenditures to be incurred the remainder of this fiscal year.

In addition, it is requested that the funds received from the sale of water rights in Fiscal Year 2016-17 in the Capital Improvements Fund in the amount of \$2,895,600 be committed by the Board of County Commissioners (BCC) to be used strictly for costs associated with the January and February 2017 flooding events. It is expected that the full amount of the sale will be strictly used for these costs. Should the costs associated with these events not meet or exceed \$2,895,600, at such time, the County will seek authority from the BCC to remove the constraints of the use of the funds and place the remaining balance into the Capital Improvement Fund's unassigned fund balance.

Washoe County Strategic Objective supported by this item: Stewardship of our Community

PREVIOUS ACTIONS

On May 17, 2016, the Board of County Commissioners (BCC) approved the Fiscal Year 2016-17 final budget.

On November 29, 2016, the BCC approved a transfer of \$150,000 from the Contingency account for completion of the BCC Chambers remodel project.

On December 13, 2016, the BCC approved a transfer of \$75,000 from the Contingency account for the second half of the fiscal year for the Incline Village Senior Center.

On March 14, 2017, the BCC approved transfers of \$166,711 from the Contingency account for start-up costs and other costs for the Gerlach fire operations, relocation and equipment costs for the Medical Examiner and additional NACO dues.

On April 25, 2017, the BCC received a presentation regarding estimated flood-related costs for the January Truckee River flood event and North Valleys flood event in February, as part of the presentation on the Fiscal Year 2017-18 recommended budget.

BACKGROUND

Total Flood-Related Expenses in Fiscal Year 2016-17

Washoe County continues to incur ongoing costs related to both the January Truckee River flood event and North Valleys flood event in February. To date, total costs incurred during the response and recovery phase of the January Truckee River flood event are more than \$820,000. Costs incurred for the North Valleys Flood now total more than \$1.9 million. These costs are summarized below:

	General Fund	Roads Fund	All Other Funds	Grand Total
January Flood	\$199,335	\$548,167	\$73,282	\$820,784
North Valleys Flood	1,298,783	477,347	156,430	1,932,560
Total	\$1,498,118	\$1,025,514	\$229,712	\$2,753,344

Besides the General Fund and Roads Fund -- the two funds that have absorbed the most costs -- other funds impacted by the floods include the Animal Services Fund, Health Fund, Indigent Tax Levy Fund, Senior Services Fund, Building & Safety Fund and Utilities Fund.

The County must stay within its adjusted budget for each fund, with certain very limited exceptions, and by function. To remain compliant with this statutory requirement, a transfer of the remaining balance in the General Fund Contingency account of \$1,108,289 and cross-functional appropriation transfers of \$500,000 within the General Fund are needed to cover unbudgeted flood-related expenses in the General Fund and to cover the

Health District's additional expenses for mosquito abatement in Fiscal Year 2016-17, which are estimated to be \$205,525.

NRS 354.598005(5) provides that "budget appropriations may be transferred between functions, funds or contingency accounts if such a transfer does not increase the total appropriation for any fiscal year and is not in conflict with other statutory provisions". Thus, transfers of appropriations between functions or programs within a fund (cross-functional transfers) or between funds (interfund transfers) or from a contingency account require approval of the governing body.

The two actions will not cover all of the General Fund's flood-related expenses in Fiscal Year 2017-18, which currently total \$1,498,118. A number of General Fund departments therefore will have to absorb costs for services provided during these two floods, primarily labor costs such as overtime, prior to possible reimbursement from FEMA. Other funds are in the same situation and will not receive funding from the General Fund to cover costs of services provided during the two floods prior to reimbursement from FEMA. The Budget Office has verified these departments' ability to absorb such costs.

As indicated above, the Roads Fund has incurred more than \$1 million in flood-related expenses. The fund will absorb these costs and will not exceed its budget this fiscal year by deferring capital projects that were budgeted this fiscal year. However, the Roads Fund will need future financial assistance to offset costs not reimbursed by FEMA in order to complete projects scheduled this fiscal year at some later date. Additionally, the fund incurred unanticipated costs of \$423,358 for snow removal during this winter's severe weather, which the Budget Office would normally cover through the General Fund Contingency account.

Current Status of Project Requests and Approvals from FEMA

Staff from the Community Services Department (CSD) and Comptroller's Office have met frequently with the Federal Emergency Management Agency (FEMA) since the two flood events to discuss and coordinate on the project approval process in order to receive reimbursement of up to 75% of eligible costs. There are different categories of eligible expenses that receive different reimbursement levels, and CSD staff has worked with FEMA staff in order to maximize our reimbursement request. The official kick-off meeting for the January flood disaster event was April 6.

The normal timeline for FEMA's approval of project requests is no more than sixty (60 days) after the kick-off meeting; the actual projects must be completed within eighteen (18) months of the kick-off meeting. Due to staffing turnover at FEMA, the County will receive an extension on project approvals for the January disaster event. A kick-off meeting for the February North Valleys flooding is expected to be scheduled in June, which then starts the timeline for that event's project submittal and completion process.

FEMA has confirmed that the County can request reimbursement for projects costing more than \$120,000 after the completion of each project, rather than waiting for all projects to be completed. Projects costing less than \$120,000 can be paid by FEMA based on project estimates.

Financing Actions Required in Fiscal Year 2017-18

Although County crews have initiated debris removal and other repairs that were immediately needed to stabilize areas affected by the two floods, the County has not begun any major capital improvement projects for flood repairs since it is waiting for FEMA's approval of these projects. The costs of these projects are estimated at \$2.9 million for the January flood and \$3 million for the North Valleys flood.

Based on the 18-month requirement to complete projects after the project kick-off date, the County will need to complete flood repair projects related to the January flood event by the end of the third quarter of calendar year 2018. Repair projects for the North Valleys flood will need to be completed by the end of calendar year 2018, assuming a kick-off in June. Therefore, the County will incur most of its costs for repairs in Fiscal Year 2017-18, with significant costs also being spent in Fiscal Year 2018-19. FEMA reimbursement will follow some time after project completion, likely in Fiscal Year 2018-19, 2019-20 or later.

There are two primary funding sources for these capital improvements: the County's Stabilization Fund and the proceeds of water rights realized this fiscal year. Pursuant to NRS 354.6115(3), any transfer of money from an agency's stabilization fund must be completed within 90 days after the end of the fiscal year in which the natural disaster occurred, thus in the case of these two events, by September 30, 2017. Therefore, a request to the BCC to transfer the entire \$3 million balance of the Stabilization Fund to partially cover flood project costs will be requested in the first quarter of Fiscal Year 2017-18. To appropriate the monies realized from the sale of water rights to the Pyramid Lake Paiute Tribe this fiscal year, the Capital Improvements Fund will require an augmentation of \$2,895,600 in Fiscal Year 2017-18. To preserve these monies for future flood repair costs, the County's finance team recommends establishment of a commitment of these funds, which is an accounting restriction that prohibits the use of these monies for any other reason unless authorized by the BCC.

In addition to capital improvements needed to repair flood-damaged facilities and infrastructure, the Health District has estimated that it will require additional funding of \$534,835 next fiscal year for further mosquito larvicide treatments of flood-impacted areas after July 1. This will require a transfer from the Fiscal Year 2017-18 General Fund Contingency Account. Any other flood-related expenses will have to come from the Contingency Account or by deferring capital projects budgeted in the CIP next fiscal year. In addition, Senate Bill 529 of the 2017 legislative session appropriates \$2,441,115 to pay up to half of local governments' non-FEMA reimbursed costs associated with emergency responses to 2017 flood events, so the County will also pursue this funding.

FISCAL IMPACT

If approved, the following use of contingency funds in account 189000-820000 and budget appropriation transfers between functions will be made by the Comptroller's Office to cover unanticipated mid-year expenses in Fiscal Year 2016-17 related to the flood disasters, as outlined above. All adjustments are within the existing approved budget for Washoe County and are indicated as follows:

Decrease Expenditures

Fund	Function	Department/Expenditure	Budget Change
General	General Gov't	Contingency – 189000 - 820000	(1,108,289.00)
General	Public Safety	Manager's Office – 101111 – 701412 (Salary Adj.)	(250,000.00)
General	Public Safety	Manager's Office – 101111 – 705360 (Benefit Adj.)	(250,000.00)
<i>Subtotal</i>			<i>(1,608,289.00)</i>

Increase Expenditures

Fund	Function	Department/Expenditure	Budget Change
General	General Gov't.	GF140617 – 710100 (Professional Services)	197,133.00
General	General Gov't.	GF140617 – 710505 (Rental Equipment)	978,744.00
General	General Gov't.	GF140617 – 710300 (Operating Supplies)	188,187.00
General	General Gov't.	GF140617 – 710322 (Gravel)	25,532.00
General	General Gov't.	GF140617 – 710505 (Food Purchases)	13,168.00
Health	Health	HD202001 – 710319 (Chemical Supplies – Mosquito Abatement)	205,525.00
<i>Subtotal</i>			<i>1,608,289.00</i>

Increase Transfers Out

Fund	Function	Department/Expenditure	Budget Change
General	General Gov't	Contingency – 189000 – 812002	205,525.00

Increase Transfers In

Fund	Function	Department/Expenditure	Budget Change
Health	Health	HD202001 – 621001	205,525.00

RECOMMENDATION

It is recommended that the Board of County Commissioners approve the use of General Fund Contingency in the amount of [\$1,108,289] required to cover unanticipated flood-related expenses for Fiscal Year 2016-2017; approve budget appropriation transfers of [\$500,000] between functions within the General Fund to cover additional flood-related expenses for Fiscal Year 2016-2017; approve the commitment of proceeds received from the sale of water rights in Fiscal Year 2016-17 totaling [\$2,895,600] in the Capital Improvements Fund for costs associated with the January and February 2017 flooding events; and direct the Comptroller's Office to make the appropriate budget appropriation transfers.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: "Move to approve the use of General Fund Contingency in the amount of [\$1,108,289] required to cover unanticipated flood-related expenses for Fiscal Year 2016-2017; approve budget appropriation transfers of [\$500,000] between functions within the General Fund to cover additional flood-related expenses for Fiscal Year 2016-2017; approve the commitment of proceeds received from the sale of water rights in Fiscal Year

2016-17 totaling [\$2,895,600] in the Capital Improvements Fund for costs associated with the January and February 2017 flooding events; and direct the Comptroller's Office to make the appropriate budget appropriation transfers.”

The attached document was submitted to the **Washoe County Board of Commissioners** during the meeting

held on June 27, 2017

by Mark Mathers, Budget

for Agenda Item No. 22

and included here pursuant to NRS 241.020(7) as amended by AB65 of the 2013 Legislative Session.



Item #22

Use of Contingency and Budget Adjustments to Cover FY 2016-17 Disaster Expenses

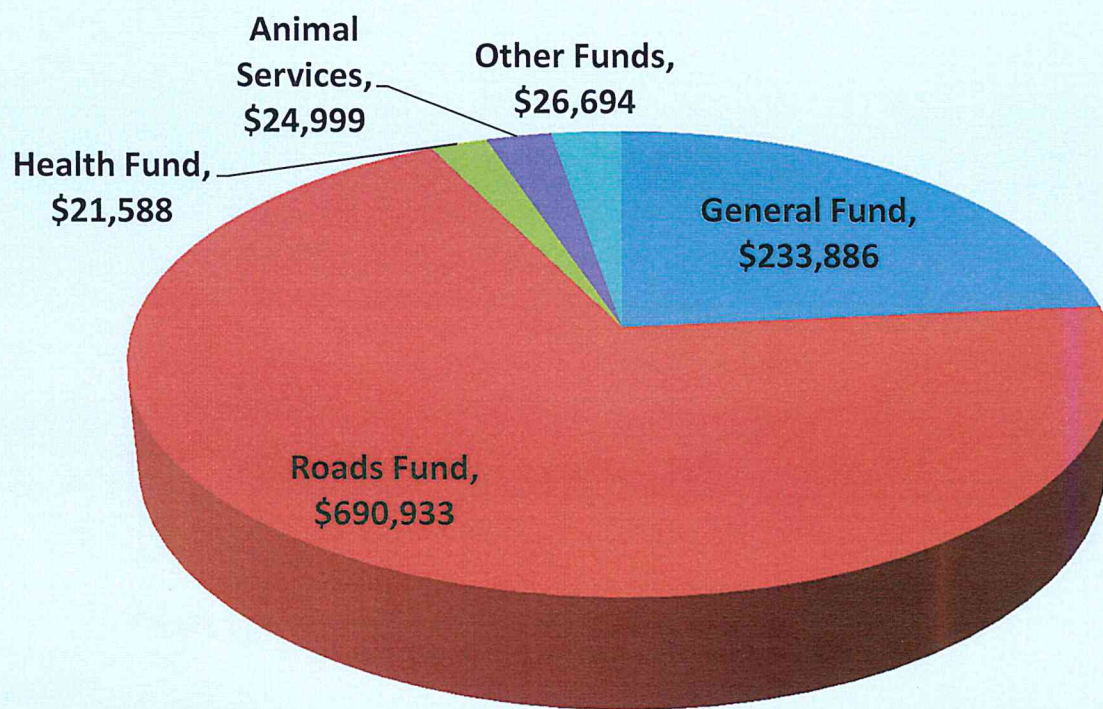
Washoe County Commission Meeting
June 27, 2017

BCC 6-27-17 #22
Mark Mathers, Budget



January Flood Costs to Date

Total Spent to Date = \$998,100



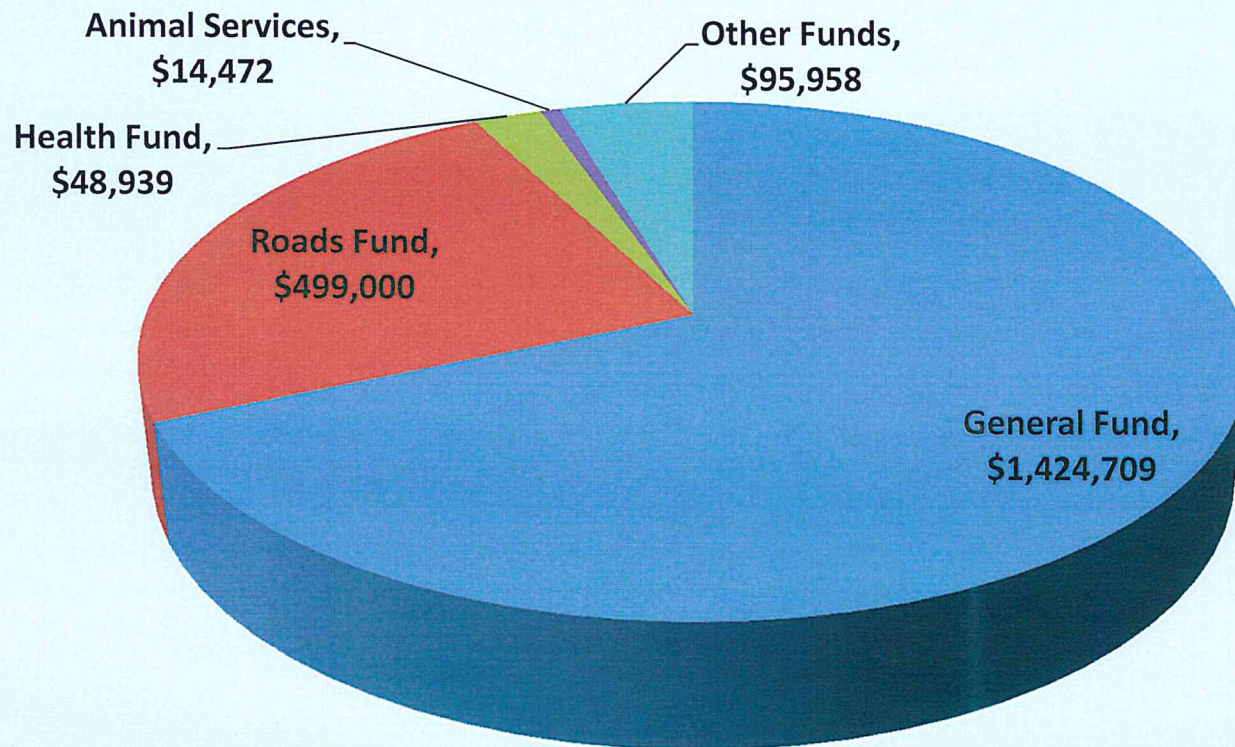
As of 6/22/17

No FEMA reimbursements have been received.



North Valleys Flood Costs to Date

Total Spent to Date = \$2,083,078



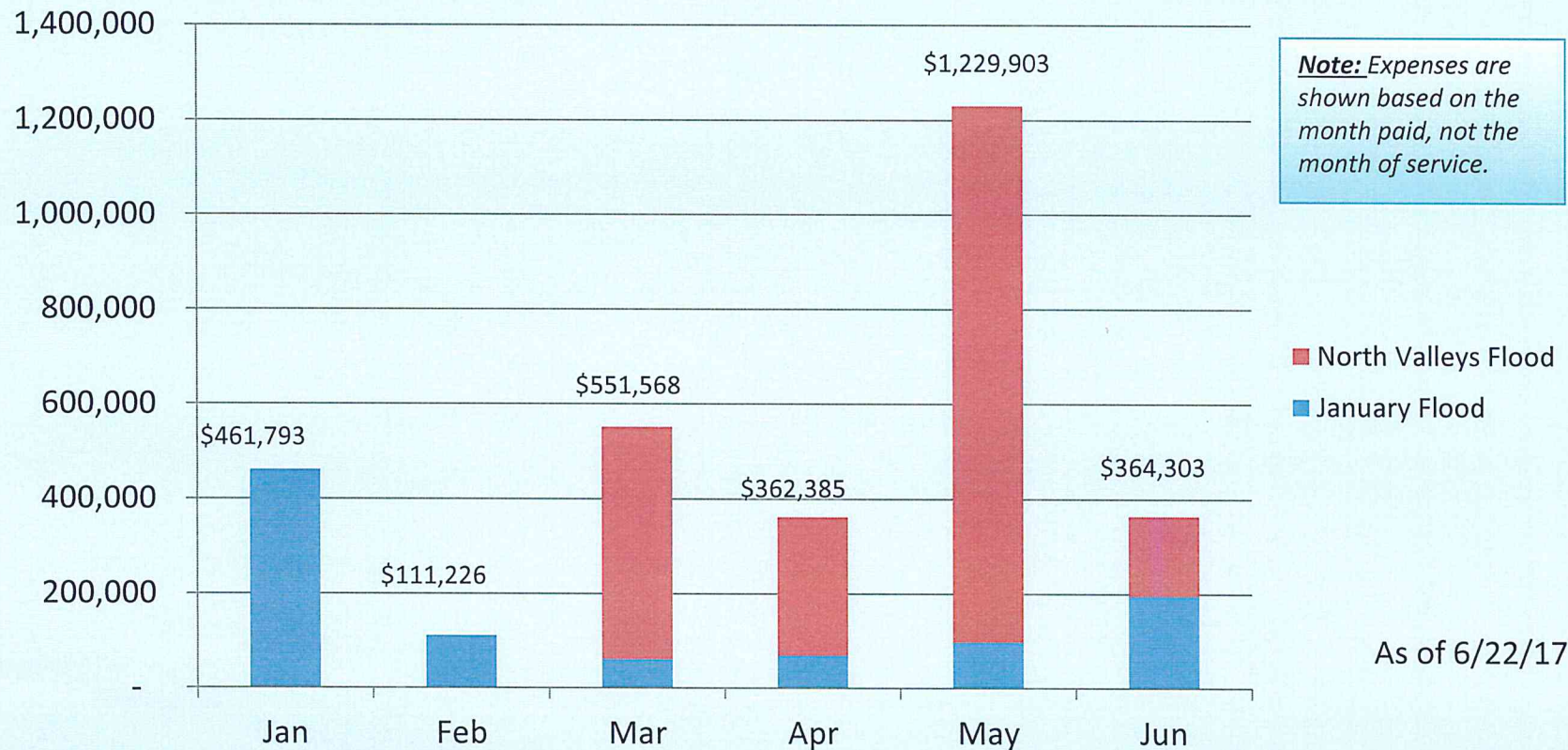
As of 6/22/17

No FEMA reimbursements have been received.



Combined Flood Expenses by Month

Total Spent to Date = \$3,081,178



As of 6/22/17



June 27 Budget Actions

Today's Recommended Actions from General Fund:

▪ Cover a portion of General Fund's costs for disaster response	\$1,402,764
▪ Cover Health District's costs for mosquito spraying in FY 2016-17	205,525
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Total General Fund Transfers	\$1,608,289

Not Covered:

▪ Roads Fund's disaster expenses	\$1,189,933
▪ Roads Fund's winter snow removal	\$229,113
▪ All Other Funds	\$232,650
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Total – Other Funds	\$1,651,696



Going Forward (Future Fiscal Years)

Expenses

- Estimates of additional Repair/Recovery Expenses are approx. \$6 million
- Costs for additional Mosquito Spraying this summer are \$534,835

Possible Funding Sources for non-FEMA Costs

- State Assistance for non-FEMA share - \$2.44 million statewide
- \$3 million Stabilization Fund
- \$2.9 million water sale monies (committed)
- \$2.5 million General Fund Contingency Fund
- Capital Improvements Fund – deferral of projects



Next Steps

- **Waiting for FEMA's approval of project applications for January Flood**
 - Projects must be completed by approx. 9/30/18
- **FEMA Kick-off meeting for North Valleys Flood was held this month.**
 - Projects must be completed by approx. 12/31/18
- **FEMA reimbursement of up to 75% will be requested after each project is completed. However, there is no time certain on reimbursements.**
 - Will reimburse each fund in which cost was incurred.