




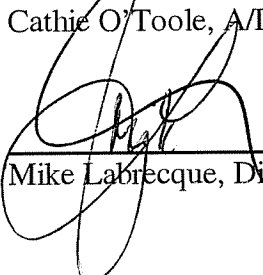
PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Halifax Regional Council
June 13, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Cathie O'Toole, A/Director Finance


Mike Labrecque, Director Transportation & Public Works

DATE: May 25, 2006

SUBJECT: Disaster Financial Assistance Update

INFORMATION REPORT

ORIGIN

Staff update to Regional Council.

BACKGROUND

In the fiscal year 2003/04, the Halifax Regional Municipality responded to three major disasters within the municipality. HRM experienced significant damage to various locations and infrastructure as a result of the March 31, 2003 heavy rains and resulting overland flooding. On September 28, 2003, Hurricane Juan struck HRM causing severe damage to the Municipality's infrastructure as well as significant clean-up in order to re-establish public safety. The third event occurred in February 2004 when significant costs were incurred to respond to and recover from the February 18-19 blizzard which came to be known as White Juan.

For each of these events, a portion of the costs are eligible for funding under the Disaster Financial Assistance (DFA) Program which is funded by the Federal Government and administered by the Province. Claims submitted are subject to audit by Consulting and Audit Canada who review the claim files for the Federal Government. This report provides an update on the DFA and other funding sources for these events.

DISCUSSION

Immediately following the hurricane, HRM established the Disaster Financial Assistance Claim Team (D-FACT) with the primary objective to maximize the financial assistance from the DFA Program. D-FACT has been working closely with HRM business units and the Provincial Disaster Recovery team in order to lessen the burden on the HRM budget. While the initial impetus for the D-FACT team was the hurricane, the D-FACT office has become the primary point of contact for all three disaster events.

DFA claims submissions are quite extensive and require at a minimum:

- a specific reference to a location where the damage occurred,
- evidence of HRM ownership at the specific location,
- evidence that the costs incurred were not insurable losses,
- a damage assessment report for each significant damage site describing how the damage occurred to assist in the determination of the damage attributable to the disaster and the pre-disaster condition of the site,
- a post-repair engineering report that indicates for each site the cost breakdown, a statement that the repairs were necessary to repair the site to pre-disaster condition and the cost of any betterment or improvement have not been included in the claim,
- photos of the site pre and post-disaster,
- reconciliation of amounts claimed to financial statements,
- supporting documentation for costs incurred including contracts, purchase orders, invoices, negotiated cheques, hiring documents, time sheets, payroll registers, etc.

While there are guidelines in place outlining the claims documentation requirements, the guidelines are general in nature and each disaster raises questions relating to the interpretation. The specifics of the required documentation has been an iterative learning process as the guidelines are interpreted, claims are submitted and reviewed and requests for additional documentation are addressed. The status of the claims for each of the disaster events is as noted below.

March 31, 2003 Flooding

Incremental costs identified as a result of the flooding totalled \$565,000 of which it has been estimated that \$430,000 would be eligible under the DFA program. Costs not eligible for reimbursement under the program include primarily regular labour costs. Seventeen claims have been submitted and additional documentation is being researched and gathered for 7 of these claims. All costs were incurred and recorded in the 2003/04 fiscal year and an estimated recovery was recorded

at the end of that fiscal year.

Hurricane Juan - September 28, 2003

This is by far the largest and most significant of the three disaster events currently under review. Infrastructure repair and clean-up costs incurred and recorded to March 31, 2006 totalled \$23.4 million - \$11.7 in the fiscal year 2003/04, \$10.1 million in the fiscal year 2004/05 and \$1.6 million in 2005/06. A further \$0.6 million in costs is estimated in 2006/07 for a total estimated Hurricane Juan cost of \$24 million.

There are a total of 84 individual hurricane claim files. Of these, 72 have been submitted leaving 12 to be submitted. Of the 72 submitted, these are at various stages of review and audit at the Provincial and Federal level and based on these reviews further clarifying documentation is being researched and gathered for 28 of these files. With the exception of the work to be done on some of the seawall projects, the final 12 hurricane claim files should be submitted by August 2006. The clean-up work itself is now complete and the final claim submissions are pending some final documentation gathering and the requisite photos and reports on the damages and repairs. The seawall work is pending a preliminary review report from the Federal Engineer to assist in the assessment of the repair work required due to hurricane damage and, therefore, that portion that is potentially recoverable under the DFA program.

As identified in prior reports to Council, funding for the cost associated with Hurricane Juan comes from one of four sources: insurance claims, the DFA Program, and public donations, with any remaining costs from the HRM budget. Costs have been recorded as they are incurred and estimated recoveries set up at the end of each fiscal year. HRM insurable costs were \$1.5 million. Donations received to date are approximately \$1.5 million, however, some of these are specific to improvements to the Public Gardens, Point Pleasant Park and other municipal properties. The estimated recovery from the DFA program is \$17 million. The remaining costs funded from the HRM budget are approximately \$4.5 million. The bulk of these costs funded from the HRM budget were included in the 2003/04 and 2004/05 fiscal year results.

While the initial clean-up and recovery work required due to the primary hurricane event in September 2003 has, with the exception of the seawalls as noted above, been completed, it is recognized by the HRM Parks and Open Spaces staff that events attributable to the hurricane and complete recovery efforts will continue for a number of years as trees weakened by the hurricane come down in subsequent wind events and replanting of lost trees is undertaken. While these costs will represent a significant cost to HRM, these longer term recovery costs are not eligible costs under the Disaster Financial Assistance Program. In addition, the Brown Spruce Longhorn Beetle (BSLB) regulated zone in effect for a portion of the municipality impacted hurricane clean-up costs and staff anticipate this will continue to be the case in relation to the on-going tree related recovery efforts.

To date, \$8.2 million has been received by HRM under the DFA Program - \$200,000 related to claims that had been reviewed and audited and an advance of \$8 million against the estimated total recoverable under the program.

White Juan - February 18-19, 2004 Blizzard

A disaster financial assistance claim was submitted by HRM to the Province for \$3.2 million in accordance with the established deadline of May 31, 2005. The Province then worked with the Federal government to develop a process for confirming claim costs, as well as preparing for a review of all municipal claims. Audits of the municipal claims commenced in March 2006 and the Province projected that it would take twelve months to complete their reviews and an additional six months for the files to be audited and closed. An initial meeting was held with HRM D-FACT office and the Province on April 26, 2006 to initiate the audit of the HRM blizzard claim.

The claim amount is based on the application criteria which reviewed costs for the two-week period February 18 to March 2 in relation to the total snow removal costs for the 2003/04 fiscal year and in relation to the prior five fiscal year average. All HRM costs associated with White Juan were included in the net HRM operating results for the fiscal year ended March 31, 2004 and an estimated recovery has not yet been booked in the accounting records. This will be reviewed as the audit continues and updates provided to Council.

BUDGET IMPLICATIONS

There are no new budget implications related to disaster financial assistance. All costs associated with these disaster events have been recorded as incurred and recoveries estimated based on the best information available at the time. The final amount recoverable under the DFA program will not be known until all claims have been reviewed and adjudicated and any amount deemed not recoverable at that time will be a cost to the HRM budget. However, business unit and D-FACT staff continue to work with the Province to ensure that appropriate, sufficient claim documentation is provided in support of the amounts claimed and considered eligible under the program.

As noted in the discussion section above, however, it is anticipated that there will be significant impacts on future year budgets as a result of the on-going recovery efforts relative to trees weakened by the hurricane and replanting of lost trees. These longer term recovery costs are not eligible under the Disaster Financial Assistance Program.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN


This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES


N/A

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

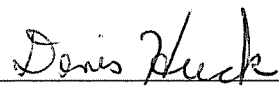
Report Prepared by :



Pam Caswill, Manager, Corporate Reporting & Financial Policy 490-7193



Peter Bigelow, Manager, Real Property Planning 490-6047



Denis Huck, Manager, Municipal Operations 490-4673