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Halifax Regional Council
October 12, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script that reads "Dale MacLennan". The signature is written over a solid horizontal line.

S. Dale MacLennan, Director, Financial Services

DATE: October 6, 2004

SUBJECT: **Hurricane Juan - Financial Update of DFA Claims to Sept. 30, 2004**

INFORMATION REPORT

ORIGIN

Financial Services has committed to provide a report on an ongoing basis to keep Regional Council informed of the financial impact on HRM as a result of Hurricane Juan as further information becomes available.

BACKGROUND

On September 28, 2003, Hurricane Juan struck HRM causing severe damage to the Municipality's infrastructure. In addition to the infrastructure damage, the Municipality was faced with significant clean-up in order to re-establish public safety. With over one thousand sites to be assessed, there was a great deal of work to complete.

To date, most of the infrastructure repairs and clean-up have been completed. Most of the work remaining is with respect to parks which is not expected to be fully completed until 2005. The Disaster Financial Assistance Claim Team (D-FACT) continues to compile the documentation necessary to file claims under the Disaster Financial Assistance (DFA) Program which is funded by the Federal Government and administered by the Province.

Costs incurred as a result of a disaster of this magnitude have been quite significant. Funding for the cost associated with Hurricane Juan will come from one of four sources: insurance claims, the DFA Program, and public donations, with any remaining costs from the HRM budget.

DISCUSSION

To date, a total of \$18.7 million has been spent as a result of Hurricane Juan, with \$11.7 million spent to March 31, 2004 and \$7 million in this fiscal year to September 30, 2004. Anticipated future costs are \$4.3 million for a total incremental cost to HRM of \$23 million. This is consistent with the November 2003 preliminary estimate of total incremental costs of \$ 24.4 M.

Not included in the above figures are regular time wages of HRM staff who have worked exclusively on the Hurricane Juan recovery. These costs exceed \$1.1 million and, while they do not represent incremental costs to HRM they do represent an opportunity cost.

It is anticipated that \$2.1 million of the \$23 M total costs will be recovered through insurance, leaving a net cost of \$20.9 million. D-FACT is fairly confident in its interpretation of the DFA program and believe a substantial portion of this will be funded through DFA. However, there are still some projects where the full scope of work is not yet known and we are unable to determine if the anticipated costs will qualify plus, final rulings by provincial and federal officials will not be made until HRM's claims are audited well into 2005. The net impact on the HRM budget has been estimated in the range of \$3.8 to \$4.8 million as outlined in the budget implications section of this report. An advance of \$7.98 million was received from the Province of Nova Scotia in late July 2004. This represents an advance on the estimated range of \$16 -17 million HRM expects to submit in total DFA claims.

To date, approximately \$1.3 million has been raised through public donations, with \$900 K specified for the Public Gardens, \$300K for Point Pleasant Park and another \$100K of unspecified donations. Of these donations, to date \$500K has been spent on the Public Gardens.

BUDGET IMPLICATIONS

Any cost not recovered through insurance claims, the DFA Program, and public donations, must be charged against the HRM budget. As noted in the Discussion section above, D-FACT is fairly confident that a substantial portion of costs will be funded through DFA, however, the net impact on the HRM budget is currently estimated to be in the range of \$3.8 to 4.8 million. The March 31, 2004 fiscal year-end financial statements included an impact of \$2.3 M, therefore, the impact to the 2004-5 budget is estimated to be in the range of \$1.5M - \$2.5M.

It should be noted that despite the severe hurricane damage and the significant clean-up and recovery cost, impact on HRM overall operations has been minimized as much as possible. This is attributable to the efforts of staff across all of HRM in the initial and on-going clean-up and recovery efforts as well as the support and assistance provided to D-FACT in providing the necessary documentation to process the claims. This on-going support will continue to minimize the net budget impact. We will provide Council with an update of the budget impact in December 2004.

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.

ATTACHMENT

Hurricane Juan Actual Cost to September 30, 2004 and Projected Future Costs.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Jeannette Titus-Saulnier, CGA, Project Manager, D-FACT 490-4767

Report Reviewed by: Pam Caswill, CA, Manager, Accounting 490-6324

ATTACHMENT A

Business Unit	Actual Cost September 2003 to September 30, 2004	* Projected Future Cost	Total Estimated Cost
Environment Management Services	\$151,000	0	\$151,000
Fire and Emergency Services	32,000	0	32,000
Human Resources Services	1,000	0	1,000
Financial Services	376,000	413,000	789,000
Recreation, Tourism and Culture	28,000	0	28,000
Regional Police	43,000	0	43,000
Emergency 911 Communications	6,000	0	6,000
Shared Services	41,000	0	41,000
Other Business Units	10,000	0	10,000
Real Property and Asset Management	10,973,000	3,627,000	14,600,000
Public Works and Transportation	7,076,000	224,000	7,300,000
Total HRM Cost	\$18,737,000	\$4,264,000	\$23,001,000

* Projected future costs relate primarily to work which will require community input and decisions by Council.