



# FINANCE DEPARTMENT

CITY OF MIDDLETON  
7426 HUBBARD AVENUE  
MIDDLETON, WI 53562-3118

PH 608.821.8350 FAX 608.827.1057  
DIRECTOR PH. 608 821-8356

**To:** Mayor and Common Council  
**From:** Bill Burns, Assistant City Administrator/Finance Director  
**Re:** FEMA and Flood Recovery Update  
**Date:** February 15, 2019

## Summary

The purpose of this memo is to provide an update on the City's application for FEMA assistance for the August 2018 flooding and some of the financial considerations related to the flood recovery. There are still several things that we do not know including the level of assistance the City may receive from FEMA. We are learning about this process as we go, but it appears that it will be a lengthy process. Recovery and funding will likely take several months and perhaps years.

## FEMA Process

Below is a figure from FEMA's Public Assistance Program and Policy Guide showing the various steps in the Public Assistance process. The City of Middleton has just completed the Applicant Collaboration phase and is beginning the Subaward Formulation phase which includes reporting all damage and developing project Scopes of Work and Project Costs. Once this is complete, FEMA will review the projects and provide information on which projects are approved and the amount of funding available.

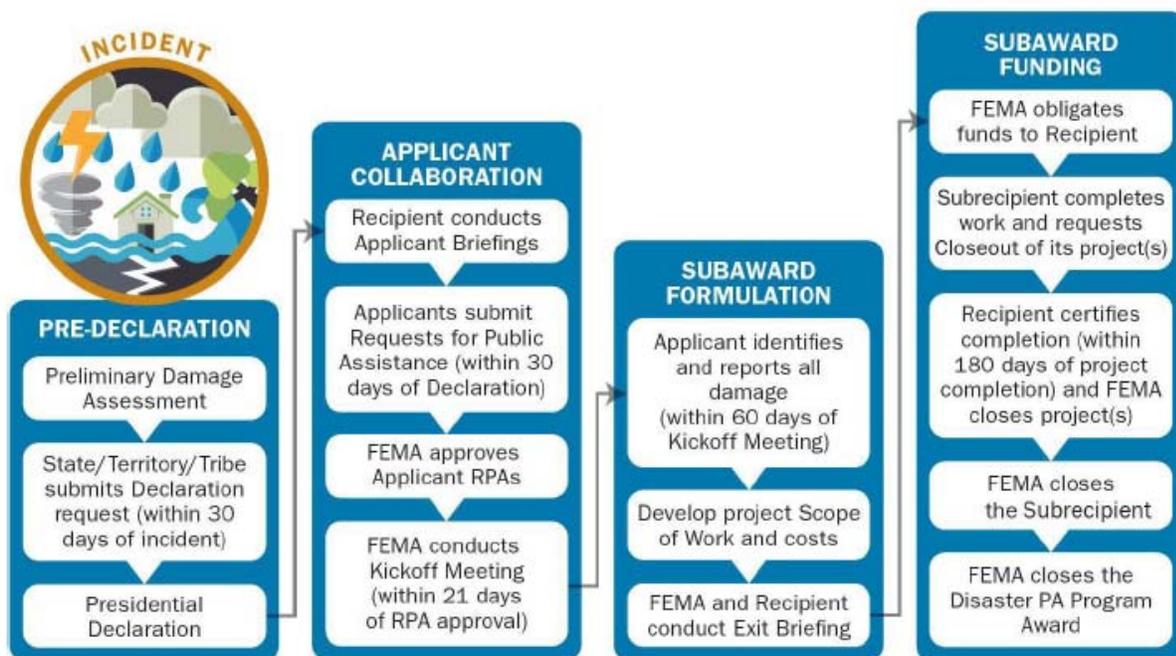


Figure 2. PA Program Implementation Process

### FEMA Process (Continued)

- In September 2018 the City submitted its Preliminary Damage Assessment to FEMA identifying about \$6.9 million in potential public costs from the August flooding.
- On September 24, 2018 FEMA officials visited the City to review the Preliminary Damage Assessment and to tour some of the damaged areas. FEMA staff informed the City that only areas with documented engineered improvements will be eligible for FEMA Public Assistance. That could exclude 50% or more of the Pheasant Branch Creek Corridor.
- On October 18, 2018 President Trump granted a Major Disaster Declaration for flooding in Wisconsin that occurred in August and September. This declaration allows the City to request Public Assistance from FEMA.
- In January FEMA assigned Fernando Davis as the City's Program Delivery Manager. Mr. Davis will act as the City's primary contact with FEMA and he will be assisting the City in preparing its requests for assistance.
- A Recovery Scoping Meeting was held with Mr. Davis and other FEMA and state representatives on January 29. At that meeting the Mayor and City staff reviewed the City's damages from the flooding and FEMA described the type of documentation that would be needed. A FEMA hazard mitigation specialist was not able to be present at this meeting.
- On February 6, the City submitted a list of damages & potential projects to FEMA showing approximately \$6.6 million in estimated costs. Several of these estimates are still very rough and additional engineering and design work will be needed to further refine the estimates.
- FEMA has scheduled site inspections for major damaged areas on February 21, 25, 28, and March 4. The City has requested that a FEMA hazard mitigation specialist participate in the inspections to help the City determine what may be eligible for mitigation assistance and what process needs to be followed for mitigation work.
- Following the site inspections, the City will need to submit detailed information to FEMA to develop the scope of work for the potential projects. This may include items such as design plans, hydrologic and hydraulic studies, environmental assessments, regulatory approvals, and benefit-cost analyses of proposed mitigation projects. For some projects, significant engineering and design work will be needed to provide this information.
- Once the Scope of Work and Project Cost estimates have been developed, FEMA will review the projects, make determination of eligibility, and obligate funds. Until this is completed, we won't know how much assistance will be made available to the City.
- For approved projects, FEMA will provide reimbursement of 75% of the cost with an additional 12.5% coming from the State of Wisconsin. The local share is 12.5%

### Wisconsin Hazard Mitigation Grant Program

As part of the FEMA Public Assistance program the City is able to apply for mitigation funds for damaged facilities if they are determined to be cost-effective and do not exceed 100% of the eligible repair cost. The City will be seeking mitigation opportunities for damaged areas as part of the FEMA process described above.

In addition to the FEMA Public Assistance Hazard Mitigation program, the State of Wisconsin administers a Hazard Mitigation Grant Program (HMGP). This program is available statewide and is also available for undamaged areas in order to reduce the potential for future damage. The City of Middleton applied for five projects under the HMGP for pumping stations at Tiedemann and Graber Ponds, Nursery Drive Lift Station Elevation, N. Fork Pheasant Branch Creek Detention, and the Wood Creek Condominium Storm Water Management Project. None of these projects were approved for funding. We were told that the state received over \$55 million in requests with only \$10 million available and that acquisition/demolition projects were given the highest priority.

### Wisconsin Department of Natural Resources (WDNR) Grants

The WDNR has offered five grants totaling \$697,776 for streambank work along the Pheasant Branch Creek including the repair of areas that had previously been improved using WDNR grant funds. These grants have a 50% local match. The City could use Storm Water Utility funds to provide the local match. In addition, since these are state rather than federal funds, the WDNR has indicated that the City could potentially apply any future FEMA reimbursement toward the local match requirement.

### Storm Water Utility Funds

On October 2, 2018 the Council approved the re-allocation of unspent 2018 Storm Water Utility (SWU) Funds and the redirection of the 2019 SWU budget toward stream bank restoration and recovery through the Pheasant Branch Creek Corridor including the Pheasant Branch Conservancy and North and South Forks. Based on 2018 preliminary year-end figures it is estimated that there is approximately \$700,000 of SWU funds available for these areas.

A referendum will be held on April 2 asking voters to approve an increase in the City's SWU fee from \$15 to \$45 per Equivalent Run-off Unit (ERU) per year for a period of five years to fund repairs from the August flooding. Currently the SWU fee generates about \$280,000 per year. If the referendum is approved, the City could collect an additional \$560,000 per year for a total of \$2,800,000 over five years.

### Borrowing Considerations

If needed, the City could issue debt to finance storm water and flood recovery projects. The payments on this debt could come from storm water utility revenues, general property taxes, or from a combination of sources. The City has significant legal capacity to issue debt and has only utilized 25% of its legal debt limit (5% of the City's total equalized value). However, the City has adopted a Debt Management Policy that establishes several self-imposed limitations on the amount of property-tax supported general obligation borrowing. These limits are intended to limit the cost of debt service to the taxpayers as well as to help preserve the City's strong bond rating. The City's plan of issuing \$3.5 million general capital debt each year is consistent with these limits. Issuing a large amount of property-tax supported general obligation debt for flood recovery may require revisiting these limits or reducing general capital borrowing for other projects such as street maintenance and equipment replacement.

The City could issue debt supported by SWU revenues that would not impact the level of property-tax supported debt. For example, if the SWU referendum passes, the City could issue a five-year Note Anticipation Note with flexible call features. This would provide the City with funds upfront to start repairs and the notes could be called as FEMA or other funds are available. Revenues from the SWU would be available to pay the debt service without impacting the City's debt service property tax levy.

### Financing Plan

Until more information is available on recommended projects, which projects will be deemed eligible for FEMA assistance, options for FEMA hazard mitigation assistance, and whether or not the SWU referendum passes it is difficult to put together a financing plan for flood recovery efforts.

The table below provide conceptual sources of funding based on the preliminary damage estimates and three possible levels of FEMA & State assistance. These are only educated guesses at this point and the numbers could change significantly.

### **CONCEPTUAL FLOOD RECOVERY SOURCES OF FUNDS**

	<b>Low Level of FEMA Assistance</b>	<b>Medium Level of FEMA Assistance</b>	<b>High Level of FEMA Assistance</b>
Total Cost Estimate	\$6.6 Million	\$6.6 Million	\$6.6 Million
FEMA & State Aid	\$2.0 Million	\$3.0 Million	\$4.0 Million
DNR Grants	\$0.7 Million	\$0.7 Million	\$0.7 Million
Insurance	\$0.2 Million	\$0.2 Million	\$0.2 Million
Net City Cost	\$3.7 Million	\$2.7 Million	\$1.7 Million
Non-Storm Water Costs	\$0.2 Million	\$0.2 Million	\$0.2 Million
Storm Water Related Costs	\$3.5 Million	\$2.5 Million	\$1.5 Million