



AGENDA ITEM MEMORADUM

Finance

Tony Bryan, Finance Director

Department

Department Director

COMMISSION MEETING DATE (*) - 7:00 PM	Deadline to Town Clerk
<input checked="" type="checkbox"/> Oct 11, 2011	Sept 30th

*Subject to Change

- Presentation Reports Consent Ordinance
- Resolution Quasi-Judicial **Old Business** New Business

FY2011 DESIGNATED HIGH PRIORITY ITEM - PRIORITY TOPIC

SUBJECT TITLE: Emergency Reserve

EXPLANATION:

Section 18-70 of the Town’s Code of Ordinances dictates that there shall be an emergency reserve which is a separate account in the general fund. As of September 30, 2011, the balance of the emergency reserve was \$2,333,105. The Code requires that transfers or deposits to, and disbursements from the emergency reserve require a majority vote of the Town Commission and that the Town Commission conduct an annual review of the emergency reserve in conjunction with the annual budget. We brought this to the Commission during the budget process and the Commission asked staff to do additional research.

Staff has gathered information from a sample of neighboring cities regarding their emergency reserves, from FEMA regarding the timing and amount of their reimbursements in a disaster, and reviewed our insurance coverage.

A telephone survey of neighboring cities revealed that the cities of Fort Lauderdale, Pompano Beach, and Deerfield Beach do not have separate reserves earmarked for disaster recovery. Representatives from all of these cities indicated that, in the event of a natural disaster, they would rely on their undesignated general fund balances, insurance proceeds, and federal assistance to fund their recovery efforts.

Staff contacted the Town’s assigned FEMA Public Assistance Closeout Specialist to inquire about FEMA assistance in the aftermath of a natural disaster. The Closeout Specialist indicated that FEMA assistance typically requires a cost share. The default cost share is 75% to FEMA, 12.5% to the State, and 12.5% to the Town. The cost share may be adjusted at the discretion of the President of the United States to require that FEMA pay more than 75%, but not less. The Closeout Specialist indicated that, under ideal circumstances, debris removal and emergency protective measures may be paid within 2 to 3 months of the event. She indicated that the timeline for funding other activities (i.e., rebuilding public infrastructure) depends in large part on how long it takes to do the repairs and for the Town to get the paperwork in order, but generally takes between seven months and a few years for the Town to be reimbursed. By way of reference the Town was reimbursed a total of \$413,871 from FEMA for debris removal associated with Hurricane Wilma.

The Town has flood insurance that covers the full replacement cost of all of the Town’s structures as well as the contents of each structure. Each building and the contents of each building has a separate policy and each policy is subject to only a \$1,000 deductible.

The Town also has windstorm coverage on each major structure and its contents which is provided through Citizens Insurance and the Florida Municipal Insurance Trust (FMIT). FMIT covers the Town’s Warehouse Building and the Public Safety Building. FMIT has a named storm deductible of 5% and a deductible of \$1,000 for other wind damage. Windstorm coverage on the Town’s other buildings is provided through Citizens



Insurance. The Citizens policies have a 3% named storm deductible and a \$1,000 deductible for other wind damage.

The Town also has property insurance that covers a number of other perils (fire, vandalism, etc.) The total insured values for building are \$11,021,012 and contents are \$692,267. There is a \$1,000 deductible for each event (e.g., if a fire destroys multiple buildings the total deductible is \$1,000). However, this policy does not cover windstorm, flood, earthquake, etc. and therefore should not be considered for disaster recovery purposes.

In the event that one of the Town's buildings is destroyed by fire, wind, and other covered perils excluding flood, the Town's policies also cover "Extra Expense" which would include things such as the incremental cost associated with operating out of a temporary facility. The limit for "Extra Expense" coverage is \$1,000,000 per year.

It should also be noted that the Town's street lights, light poles, parking meters, etc. are covered for fire, vandalism, and other covered perils but not for flood or windstorm damage. Further, roads are not insurable and therefore are not covered at all. Our two major thoroughfares are state roads and therefore would be repaired by the Florida Department of Transportation, but El Mar Drive, the portal streets and the Town's parking lots near the sea which could be undermined or destroyed by storm surge would not be covered by insurance. However, we have confirmed with our state liaison to FEMA that FEMA would assist with road reconstruction.

It is difficult to quantify what the Town's cash needs would be after a very strong hurricane because there are so many unknowns. A more detailed evaluation of the adequacy of the reserve would require certain assumptions to be made, models based on the likelihood and severity of storms, and a more thorough evaluation of the true replacement cost of our facilities.

Since we are a Town located completely on a barrier island, it does not appear that our emergency reserve is unreasonably high since we would have to fund significant expenses in advance of reimbursement from FEMA and the insurance companies.

EXPECTED OUTCOME:

Commission direction on the emergency reserve amount.

EXHIBITS:

Reviewed by Town Attorney
 Yes No

Town Manager Initials CIA