



FINANCE & RECOVERY

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LOCALIZED RECOVERY FUNDING

Funding disaster recovery is difficult for both individuals and local and regional governments. It is unlikely that there will be any one source large enough to pay for all the recovery costs incurred, but rather that several sources will have to be combined together to cover expenses. The Pew Charitable Trusts have identified three keys for building resilient state budgets that also apply to post-fire recovery for local jurisdictions:

1. Measure disaster costs:
 - a. Identify the data that needs to be tracked to capture all investments made in disaster recovery
 - b. Develop a system to collect that data on an ongoing basis
 - c. Coordinate data identification and collection processes across all departments (include local disaster recovery partners as well if they are willing)
2. Manage disaster funds proactively:
 - a. Fund disaster recovery with existing rainy day funds or recurring set asides to be ready before emergencies occur
 - b. Use spending projections and historical trends to inform how much is being put aside
 - c. Set aside any federal reimbursements to help pay for future costs
3. Invest in mitigation programs:
 - a. Provide sustained funding for disaster mitigation programs
 - b. Invest in resilience planning capacity
 - c. Enhance administrative capacity to effectively deploy federal funds

In addition to those basic budgeting and data collection practices, it is important to identify ways to build diverse local options that can braid into resilient and adaptive recovery funding streams. The following funding source descriptions are provided to show different ways in which local money can be raised to support the costs of recovery. None of these methods are a guaranteed way to obtain enough money for recovery, but they can be combined and leveraged to create a stronger financial base for recovery needs than relying simply on general funds. There are no guarantees that federal dollars will be available for recovery in a post-fire situation, so the more that is done before hand to plan for the community's financial well being, the better.



MUNICIPAL BONDS

Municipal bonds are debt securities issued by states, cities, counties and other governmental entities to fund day-to-day obligations and to finance capital projects such as building schools, highways or sewer systems. By purchasing municipal bonds, you are in effect lending money to the bond issuer in exchange for a promise of regular interest payments, usually semi-annually, and the return of the original investment, or “principal.” A municipal bond’s maturity date (the date when the issuer of the bond repays the principal) may be years in the future. Short-term bonds mature in one to three years, while long-term bonds won’t mature for more than a decade.

Generally, the interest on municipal bonds is exempt from federal income tax. The interest may under certain conditions also be exempt from state and local taxes. Given the tax benefits, the interest rate for municipal bonds is usually lower than on taxable fixed-income securities such as corporate bonds.

The two most common types of municipal bonds are the following:

- General obligation bonds are issued by states, cities or counties and not secured by any assets. Instead, general obligation are backed by the “full faith and credit” of the issuer, which has the power to tax residents to pay bondholders.
- Revenue bonds are not backed by government’s taxing power but by revenues from a specific project or source, such as highway tolls or lease fees. Some revenue bonds are “non-recourse”, meaning that if the revenue stream dries up, the bondholders do not have a claim on the underlying revenue source.

General obligation bonds can be used to supplement recovery funds, while revenue bonds can be used to restore revenue-generating infrastructure. Both of these options will be most effective if leveraged with other local plans.

SPECIAL DISTRICTS

Special district governments are independent, special purpose governmental units, that exist as separate entities with substantial administrative and fiscal independence from general purpose local governments. *(Note: as defined for Census Bureau statistics on governments, the term "special district governments" excludes school district governments as they are defined as a separate governmental type.)*

Special district governments provide specific services that are not being supplied by existing general purpose governments. Most perform a single function, but in some instances, their enabling legislation allows them to provide several, usually related, types of services. The services provided by these districts range from watershed and fire protection districts, to lighting and library services.

Special districts in the United States are founded by some level of government in accordance with state law (either constitutional amendment, general law, or special acts) and exist in all states. Special districts are legally separate entities with at least some corporate powers. Districts are created by legislative action, court action, or public referendum. The procedures for creating a special district may include procedures such as petitions, hearings, voter or landowner approval, or government approval. Tribal governments may create special districts pursuant to state law and may serve on the boards of special districts.

Special districts can be created or used to provide recovery services and raise funds for recovery projects.

TAX INCREMENTAL DISTRICTS (TID) AND FINANCING (TIF)

Tax Incremental Districts (TIDs) or Tax Incremental Financing (TIF) districts are a financial tool commonly used by local governments to promote development and redevelopment. This tool operates on the theory that development can pay for itself. The basic idea underlying TIF districts is that public investment in an area causes growth in property values, which in turn increases revenue from property taxes.

The legal framework for a TIF district is created at the state level, but local officials establish the specific guidelines for these projects. This includes setting district boundaries, goals for the district, financial specifics, and capital projects. Initial investments for these districts can be raised in several ways. This includes developing a nonprofit development agency that can issue bonds backed by the project revenues from the district (see, for example, community development corporations below). Local areas can also set up a pay as you go process that uses current tax revenue from the TIF district to pay for new improvements. Or developers can use conventional loans to fund investments which will be paid back by the assumed increase in property tax revenue.

Development and redevelopment activities within a TIF district will be included in a prepared and approved district plan that is reviewed by representatives from the affected taxing jurisdictions and the general community. Revenues resulting from increases in property value above the base value (the “increment”) are paid to the local municipality or an economic development authority acting for the municipality. A basic overview of the process is as follows:

- The local government establishes a TID/TIF district by designating a specific geographic area in need of desired development and/or revitalization.
- This area’s property taxes are frozen on the tax roll, and this becomes the base value for the district. This base value of property taxes is paid to the applicable local authorities. All taxing entities continue to receive their share of the tax revenue coming off this base value throughout the life of the district.
- The theory is that as new developments, improvements, or investments are made within the district, property values tend to increase. The difference between the new value and the baseline value is known as the “incremental value.”
- The local taxing bodies then collectively invest the increased property tax revenue generated by the incremental value in the district.
- The redirected incremental property tax revenue is then used to pay for and/or finance various public benefit projects that are specified within the TIF district plan, including roads, utilities, parking lots, parks, developer incentives or other improvements that enhance the area’s desirability and attract further private investment.
- The TIF district typically has a specified duration or “payback period” during which the incremental tax revenue is dedicated to financing eligible projects (again, the frameworks for these districts are set by state statute, including the maximum lifespan of the district). Once the payback period ends (projects and any associated financing are paid for), the increased property tax revenue is directed back to the taxing entities; with the assumption being that now there is much more property tax revenue reaching them due to all the new developments created by the TIF district.

TIDs could be used to guide investment into areas impacted by disaster, though this should be carefully planned to prevent gentrification. It could also potentially be used to designate areas with extreme mitigation needs.

BUSINESS IMPROVEMENT DISTRICTS

A Business Improvement District is a geographically defined area where local businesses and property owners agree to pay an additional tax or fee—called an assessment—to fund projects and supplemental services within that district’s boundaries. The core purpose is enhancing economic vitality, cleanliness, safety, and overall attractiveness of commercial areas, providing services beyond what local government typically offers.

BIDs are also known by various names: business improvement zones, special improvement districts, special assessment districts, special services districts, or community improvement districts. The contemporary BID model emerged in Canada in 1970 and subsequently spread to the United States. The “supplemental” nature of services is key—BIDs don’t replace city services but add to them. Think of them as local businesses pooling resources to get extra help keeping their area clean, safe, and attractive.

BID formation generally begins with an initiative from property owners, merchants, or occasionally local government itself. The process typically involves:

- Defining boundaries: Establishing the specific geographic area the BID will cover.
- Creating a business plan: Developing a comprehensive plan outlining services to be provided and the associated budget.
- Petition process: Getting approval from a majority of property owners or businesses within the proposed district, often weighted by assessed property value or land area.
- Government approval: The local government (such as City Council) officially establishes the BID through ordinance adoption.

Business improvement districts could be leveraged to provide disaster mitigation before a fire and restore areas during long-term recovery.

COMMUNITY FINANCIAL DEVELOPMENT INSTITUTIONS

Community Development Financial Institutions, or CDFIs, are mission-driven financial institutions that deliver affordable credit, capital, development services, and financial services to residents and businesses in economically-distressed communities. CDFIs emerged to provide financial services in rural areas and urban and suburban neighborhoods underserved by traditional financial institutions. By leveraging over \$8 in private capital for every \$1 in federal support, CDFIs are filling the deep credit gap encountered in many communities, and supporting their local borrowers to create jobs, start and grow businesses, build and improve housing and community facilities, and create economic opportunity.

The CDFI mission is to serve the needs of low- and middle-income individuals within both urban and rural communities, with a specific focus on those who have been underserved or ignored by traditional banks and lending. CDFIs are set up to create financial self-sufficiency within these underserved communities, in order to trigger overall economic growth and community redevelopment.

There are currently over 1,100 certified CDFIs in the United States. While CDFIs differ from each other in practices and requirements, they tend to focus on innovative lending options (including less stringent lending practices), educational outreach and lending for small businesses.

For disaster recovery, CDFIs have been used as a way to deliver loans to those with poor credit or lost goods.

COMMUNITY DEVELOPMENT CORPORATIONS

Community development corporations (CDCs) are 501(c)(3) non-profit organizations that are created to support and revitalize communities, especially those that are impoverished or struggling. CDCs often deal with the development of affordable housing. They can also be involved in a wide range of community services that meet local needs such as education, job training, healthcare, commercial development, and other social programs.

While CDCs may work closely with a representative from the local government, they are not a government entity. As non-profits, CDCs are tax-exempt and may receive funding from private and public sources. CDCs run the gamut from large, well-established organizations like New Community Corporation in Newark, NJ (which owns and manages 2,000 units of housing and employs more than 500 people) to community groups that meet in a church basement. Large or small, CDCs have in common an involvement in development work. They generally have a staff and some degree of incorporation.

For disaster recovery, CDCs could be developed prior to a fire to focus on unmet needs during recovery, or be used to develop affordable housing, workforce development, or meet other social needs after the fire.

COMMUNITY LAND TRUST

Community land trusts are a form of shared equity ownership. CLTs use public and private investment funds to acquire land on behalf of a specific community. The CLT owns the land in perpetuity (that is, forever). Community residents can purchase their homes but not the land on which the houses sit. Instead, residents enter into low-cost, long-term property leases with the CLT, known as ground leases, typically for 99 years. Monthly charges for the ground lease can be \$100 or lower.

Although CLT residents can never sell the land their home is on, they can sell the home itself and profit from it. However, there is a limit to serve the mission of affordable housing. They otherwise have the same rights as other homeowners. During the term of the ground lease, they enjoy full and exclusive use of the property, as well as common privacy rights associated with homeownership. CLT residents also have many of the same obligations as other homeowners, including liability for property taxes. Historically, property taxes have presented difficulties for CLTs when states assessed taxes based on the actual market value of CLT property rather than the managed values that the CLT sets.

CLTs are used mainly to meet housing needs after a disaster.

PUBLICLY OWNED UTILITIES

Publicly-owned utilities (POU) differs from IOUs in a few ways. Unlike IOUs, POUs are non-profits and elected officials oversee them. The city council or governing board set the customer rates and usually in a public forum. These rates are set to recover costs and re-invest in new technologies. The focus is on ways to maximize energy and help the customer save money. POUs are also funded through municipal bonds, and they have their own generation facilities. Finally, the size of POUs vary but they typically serve small to mid-sized municipalities. Moreover, they typically cover a specific area.

Publicly owned utilities could be developed in conjunction with a revenue bond, or could be invested in to help restore areas after a disaster.

FEDERAL DOCUMENTATION

ESTABLISH CONDITION OF FACILITIES, EQUIPMENT, INFRASTRUCTURE

Document the condition of your facilities, equipment, and infrastructure with photos and date stamps.

Make sure to include the location of each, along with maintenance records, and repair logs.

Review local policies and procedures for how they comply with Stafford Act requirements.

CONDITION

LOCATION

MAINTENANCE

AVOID PROCUREMENT PITFALLS

- Hold a full and open competition
- Develop compliant contract types and management processes for contracts
- Do not piggyback on existing contracts
- Ensure required contractual clauses are present
- Document procurement history and conformance with existing written procedures



The following are examples of standard documentation that are recommended to have in place to comply with federal reporting requirements.

Documenting Emergency Protective Measures

There are four primary best practices for documenting Emergency Protective Measures. Applicants who incorporate the following best practices into their routine operations sufficiently document Emergency Protective Measures:

- Organize documents
- Establish tracking mechanisms to provide sufficient data and documentation
- Share knowledge with other communities
- Identify force account versus contract costs

Applicants need to establish policies and procedures for storing and organizing documentation. Adopting a standard method for organizing documents allows Applicants to find and identify the required documentation when requesting grant reimbursement for Emergency Protective Measures. Organizing documents also assists Applicants in other endeavors outside of acquiring grant funding from FEMA.

Example Payroll Policy

The following text is offered as an example of a payroll policy provided by the Federal Emergency Management Association as critical documentation to have and prove financial capacity.

This policy shall be implemented in the event of certain catastrophic events including, but not limited to: wildfires, floods; other acts of nature; nuclear, chemical, and biological emergencies; terrorist attacks; or any other emergency declared by county officials as a declaration of disaster; or federal or state authority.

All employees, regardless of exemption status, required to work during a disaster over 40 hours will be paid 1 ½ times their normal rate of pay, if prior to the disaster, sick, vacation, or holiday leave has already been used during the week that time will be considered hours worked.

All departments that have employees working the disaster shall input hours worked by each employee into the county's timekeeping system (timesheets) on the same day the hours are worked.



PROCUREMENT CHECKLIST

A contract manager or designated individual from the recipient or subrecipient of federal funds can work through this checklist as a guide for reviewing procurements and resulting contracts that are funded in whole or in part using federal financial assistance (e.g., grants or cooperative agreements). Please note: though this checklist is intended to support compliance with the government-wide Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. §§ 200.317 through 200.326.), it is focused on general procurement and does not include all the intricacies of government contracting and federal award management.

General Requirements

- Does the contracting organization maintain documented procurement policies and procedures which reflect applicable State, local and tribal laws and regulations? §200.318(a)
 - Does the procurement comply with those policies and procedures?
 Yes No
- The contracting organization must maintain contract oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. §200.318(b). Are there oversight processes in place?
 Yes No
- Does the contracting organization maintain written standards of conduct covering conflicts of interest (including organizational conflicts of interest) and governing the performance of employees engaged in the selection, award, and administration of contracts? § 200.318(c) Yes No
 - Does any employee, officer, or agent participating in the selection, award, or administration of a contract supported by a Federal award have an actual or apparent conflict of interest?
 Yes No
 - Has any employee, officer, or agent participating in the selection, award, or administration of a contract supported by a Federal award solicited and/or accepted gratuities, favors, or anything of monetary value from contractors or parties to subcontracts?
 Yes No
- It is the contracting organization's policy to avoid acquisition of unnecessary or duplicative items. Has the contracting organization considered consolidating or breaking out procurements to obtain a more economical purchase? Where appropriate, has the contracting organization considered lease versus purchase alternatives? § 200.318(d)
 Yes No
- For construction contracts, has the contracting organization considered using value engineering clauses for projects sufficient in size to offer reasonable opportunities for cost reductions? § 200.318(g)
 Yes No
- Is the contract being awarded to a responsible contractor possessing the ability to perform successfully under the terms and conditions of the proposed procurement, giving consideration to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources? § 200.318(h)
 Yes No
- The contracting organization's policy requires maintenance of records sufficient to detail the history of the procurement, including, but not limited to, records documenting the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price § 200.318(i). Are these procedures in place for this contract? Yes No

- Is the contract a time-and-materials or time-and-equipment contract? § 200.318(j)
 - If so, has the contracting organization documented why no other contract is suitable (see document entitled Determination Regarding Suitability for Time and Materials/Equipment Contract)? § 200.318(j)(1) Yes No
 - If so, does the contract include a ceiling price that the contractor exceeds at its own risk? § 200.318(j)(1) Yes No
 - If so, does the contracting organization have in place procedures to assert a high degree of contractor oversight in order to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls? § 200.318(j)(2) Yes No
- Is the contracting organization alone responsible, in accordance with good administrative practice and sound business judgment, for the settlement of all contractual and administrative issues arising out of procurements? § 200.318(k) Yes No

Competition

- Was the contractor that is bidding on the contract also involved with developing or drafting the specifications, requirements, statement of work, invitation for bids or request for proposals? If so, that contractor must be excluded from competing for such procurements. § 200.319(b) Yes No
- All procurement transactions must be conducted in a manner providing full and open competition consistent with the standards of this section. Does the procurement involve any of the following, which may restrict competition? § 200.319(c)
 - Placing unreasonable requirements on firms in order for them to qualify to do business? Yes No
 - Requiring unnecessary experience and excessive bonding? Yes No
 - Noncompetitive pricing practices between firms or between affiliated companies? Yes No
 - Noncompetitive contracts to consultants that are on retainer contracts? Yes No
 - Organizational conflicts of interest? Yes No
 - Specifying only a “brand name” product instead of allowing “an equal” product to be offered and describing the performance or other relevant requirements of the procurement? Yes No
 - Any arbitrary action in the procurement process? Yes No
- Does the recipient or subrecipient have written procedures for procurement transactions? § 200.319(d) Yes No
- Do these written procedures ensure that the solicitation:
 - Incorporates a clear and accurate description of the technical requirements for the material, product, or service to be procured. § 200.319(d)(2) Yes No
 - Identifies all requirements which the offerors must fulfill and all other factors to be used in evaluating bids or proposals. § 200.319(d)(3) Yes No
- Is the contracting organization using a prequalified list of persons, firms, or products which are used in acquiring goods and services: § 200.319(e)
 - If so, is the list current? Yes No
 - If so, does the list include enough qualified sources to ensure maximum open and free competition? Yes No
 - If so, were any potential bidders precluded from qualifying during the solicitation period? Yes No
- Note: Recipients and subrecipients are not prohibited from developing written procedures for procurement transactions that include a scoring mechanism that rewards bidders that commit to specific numbers and types of U.S. jobs, minimum compensation, benefits, and other worker protections. § 200.319(f)

Informal Procurement Methods

Informal procurement methods expedite the completion of transactions, minimize administrative burdens, and reduce costs. Informal procurement methods may be used when the value of the procurement transaction under the Federal award does not exceed the simplified acquisition threshold (see below under Simplified acquisitions for more information on this threshold) § 200.320(a):

- **Micro-purchase** (i.e., most purchases below \$10,000, see [Title 48, Chapter 1, Subchapter A, Part 2, Subpart 2.1, Micro-purchase threshold](#) for exceptions). § 200.320(a)1
 - Recipients and subrecipients may increase the micro-purchase threshold up to \$50,000 on an annual basis, but must maintain documentation available to Federal agency or pass-through entity. this self-certification must include justification for the increase, clear identification of the threshold, and supporting documentation of any of the following:
 - Qualification as a low risk auditee
 - Annual internal institutional risk assessment to identify, mitigate, and manage financial risk
 - The higher threshold is consistent with State law (for public institutions only)
 - [Note: Micro-purchases may be awarded without soliciting competitive quotations if considers the price to be reasonable.]
 - To the extent practicable, is the contracting organization distributing micro-purchases equitably among qualified suppliers? Yes No
- **Simplified acquisitions** § 200.320(a)2
 - [Note: If simplified acquisition procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources. Unless specified by the Federal agency, the recipient or subrecipient may exercise judgment in determining what number is adequate]
 - The recipient or subrecipient is responsible for determining an appropriate simplified acquisition threshold based on internal controls, an evaluation of risk, and its documented procurement procedures, which may be lower than, but must not exceed, the threshold established in the FAR (in general this threshold is \$250,000. See [Title 48, Chapter 1, Subchapter A, Part 2, Subpart 2.1, Simplified acquisition threshold](#) for exceptions)

Formal Procurement Methods

Formal procurement methods are required when the value of the procurement transaction under a Federal award exceeds the simplified acquisition threshold of the recipient or subrecipient. Formal procurement methods are competitive and require public notice.

- **Sealed bids** § 200.320(b)1
 - [Note: Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. Sealed bidding is the preferred method for procuring construction services]
 - Are all of the following conditions to use sealed bidding present? § 200.320(b)(1.i)
 - A complete, adequate, and realistic specification or purchase description is available. Yes No
 - Two or more responsible bidders are willing and able to compete effectively for the business. Yes No
 - The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price. Yes No

- If sealed bids are used, the following requirements apply: § 200.320(b)(1.ii)
 - Did the contracting organization solicit bids from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids? [Note: the “adequate number” may be specified by the recipient or subrecipient unless specified by the Federal agency] Yes No
 - Was the solicitation publicly advertised? [required only for local governments] Yes No
 - Did the invitation for bids include any specifications and pertinent attachments, and define the items or services in order for the bidder to properly respond? Yes No
 - Did the invitation for bids prescribe a time and place to open the bids? Yes No
 - Were the bids publicly opened? (required only for local governments) Yes No
 - Did the award result in a firm fixed price contract provided in writing to the lowest responsive and responsible bidder? [Note: factors such as discounts, transportation cost, and life-cycle costs must be considered in determining which is the lowest bid] Yes No
 - If any bids were rejected, was there a sound, documented reason supporting the rejection? Yes No

- **Proposals** § 200.320(b)(2)
 - [Note: The proposal method is generally used when conditions are not appropriate for the use of sealed bids. This method may result in either a fixed-price or cost-reimbursement contract.]
 - The following requirements apply to proposals:
 - Did the recipient or subrecipient publicize the Requests For Proposals (RFPs) and identify all evaluation factors and their relative importance? Yes No
 - Did the recipient or subrecipient solicit proposals from multiple qualified entities (to the extent possible, all proposals submitted in response to the RFP must be considered)? Yes No
 - Does the recipient or subrecipient have a written method for conducting technical evaluations of the proposals received and for selecting recipients? Yes No
 - Did the recipient or subrecipient award the contract to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered? Yes No
 - [Note regarding architectural/engineering (A/E) professional services: the contracting organization may use competitive proposal procedures for qualifications-based procurement of A/E professional services whereby competitors’ qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms that are a potential source to perform the proposed effort.]

Noncompetitive Procurement

There are specific circumstances in which the recipient or subrecipient may use a noncompetitive procurement method. The noncompetitive procurement method may only be used if one of the following circumstances applies:

- The aggregate amount of the procurement transaction does not exceed the micro-purchase threshold (see Micro-purchase above)
- The item is available only from a single source.
- The public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation
- The recipient or subrecipient requests in writing to use a noncompetitive procurement method, and the Federal agency or pass-through entity provides written approval
- After solicitation of a number of sources, competition is determined inadequate.

DETERMINATIONS & APPEALS

GOOD PRACTICES

- Develop and maintain relationships with the state Emergency Management Division so they can advocate for and problem solve with you
- Understand that FEMA project specialists have discretion to make eligibility decisions. This can result in high variability within the same field operation.
- Do not sign a Project Worksheet that you believe is incorrect or omits important or eligible items or wrongly deducts funding
- Understand FEMA's Chain of Command within the Field Operation
- Request Meetings with Supervisors for Pending Adverse Determinations
- Informal meetings and conversations can often resolve issues
- Most official FEMA decisions or determinations are appealable:
 - First Appeal is to the FEMA Regional Administrator
 - Second Appeal is to the FEMA [HQ] Assistant Administrator for Recovery

