Show Me the Money!

April 15, 2019

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Melissa Dubowski – Assistant Director, Treasury and Capital Management
Bobby Qasim – Division Manager, Financial Reporting and Operations

City of Houston Finance Department
Learning Objectives

- Funding Sources in Recovery
- Management Reporting Tools
- Fundamental of Disaster Accounting
Learning Objective 1

Funding Sources in Recovery
Funding Sources in Recovery

- Preparation and Planning
  - Operating Budget
  - Capital Budget

- Timing of Disaster Event

- Cash Flow Management
  - Cash Flow Monitoring
  - Budget Stabilization Fund
  - Supplemental TRANS
  - Property Taxes
Funding Sources in Recovery

- FEMA Advances and Grants
  - Category A
  - Category B
  - OOG

- Insurance Claims and Recovery
  - Reporting and Settlement
  - Apportionment and Allocation Methodology
  - Use of Insurance Funds
Cash Flow Management – Monitoring

- Cash Flow Monitoring

**Pre-Harvey**
- Monitor General Fund cash flows daily
- Immediately prior to Harvey General Fund cash balance was $326M

**Post-Harvey**
- Monitor General Fund cash flows daily
  - Low point for FY2018 was $119M, which was a comfortable cushion for us, thanks to all of the mitigating steps we took and partnership at the State and Federal levels
- Monitor “Disaster” cash flows daily
  - Incorporated in our disaster-related fund accounts and layered in projected increased spending based on historical storms
Cash Flow Management – Budget Stabilization Fund

- **Budget Stabilization Fund**

  **Pre-Harvey**
  - Per City’s Financial Policies, must maintain a fund balance of the greater of $20M or 1% of General Fund expenditures less debt and pay-as-you-go.
  - This is in addition to maintaining our normal fund balance minimum of 7.5% of General Fund expenditures less debt and pay-as-you-go

  **Post-Harvey**
  - In the next City Council session following Harvey, on August 30, 2017, approval to move $20M into Disaster Recovery Fund
  - Must refill Budget Stabilization Fund by June 30, 2020
Cash Flow Management – TRANS

• TRANS (Tax and Revenue Anticipation Notes) to help manage cash flow for our normal General Fund operations

Pre-Harvey

• Timing difference between the collection of revenues versus expenditures. The major revenue source for the General Fund is ad valorem taxes, which are largely collected during December, January and February.

• The actual sale of the notes is done on a competitive basis through an auction intended to give the City access to a large scope of potential purchasers and provides efficient pricing.

• 2018 TRANS was $225M to support cash flow needs of our $2.7B budget
Cash Flow Management – TRANS

Post-Harvey

- Annual TRANS ordinance allows additional supplemental issuances, separated in time from the initial issuance, enabling the City to comply with tax laws and arbitrage regulations. The initial borrowing is based on an estimated monthly cash flow analysis prepared prior to the beginning of the fiscal year, which projects the cash flows (and predicts the maximum shortfall) during the fiscal year.

- The last time the City used the supplemental borrowing was in FY2009 for unexpected Ike-related expenditures.

- Could have borrowed up to an additional $175M, for a total of $400M. Elected to forgo borrowing due to receipt of advances and grant.
Cash Flow Management – Property Tax

Pre-Harvey
- Put in place in 2004, the City has a voter-imposed property tax cap. The City hit the cap in FY2015 and as a result has lowered the tax rate consistently since that time. The result is $533M less in revenue that could have been collected using the previous tax rate.

Post-Harvey
- The 2004 proposition also included a provision to allow additional collections needed for disaster expenses
  - Deadline of adopting the tax rate (October 2017) made estimating the amount of collections needed for Harvey expenses difficult.
  - City received advances and grant before adopting the tax rate
  - City elected not to raise the tax rate to include disaster expenses
FEMA Advances and Grants

• **FEMA Advances** – $161.7M (received in September and October 2017)
  - Category A – $105.1M
  - Category B – $56.6M (received in October 2017)

• **Office of the Governor Grant** – $50M (received in September 2017)
  - Category A Local Share – $25M
  - Purchase of Additional Flood Insurance – $10M
  - Insurance Deductible – $15M
Insurance Claims and Recovery

• Reporting and Settlement
  – Flood Damage $100M
  – Business Interruption (BI) over $6M
  – Wind Driven $2.5M
  – Other $256K

• Apportionment and Allocation Methodology
  – Task Force
  – Approval

• Distribution and Use of Insurance Funds
  – Business Interruption
  – Advance/Initial Allocation
  – Borrowing due to Cash Flow Issue
Learning Objective 2

Management Reporting Tools
Management Reporting Tools

• Dashboard
  – Finance and Accounting
  – Infographics

• Daily Fund Monitoring (Cash Flows)
  – Purpose and use
  – Communication with Departments such as HPW, GSD, HFC, etc.

• Monthly Financial Reports (MoFR)
  – Council and Public Reporting
  – Finance Director/Controller
<table>
<thead>
<tr>
<th>Row No.</th>
<th>City DEPT or MAA</th>
<th>FEMA obligation system EMMIE #</th>
<th>Tetra Tech PRN</th>
<th>Project #</th>
<th>Damage # (aka DI #)</th>
<th>TDEM GMS Ref #</th>
<th>PW or Advance Version #</th>
<th>FEMA Work CAT</th>
<th>PW size</th>
<th>PW Status (Obligated, Closed Out, Deobligated)</th>
<th>PW or Expedited Advance Request Description</th>
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<td>B001COH</td>
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<td>Expedited CAT B - Citywide OT, FAE, EPOs</td>
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<tr>
<th>Advance, Backfill, Deleted?</th>
<th>Date Submitted to FEMA (column BA)</th>
<th>Date EEI Submitted to FEMA</th>
<th>CAT B began in first 30 days?</th>
<th>Total PW $</th>
<th>ASCO</th>
<th>Obligated Amount</th>
<th>Date Awarded, Obligated by FEMA</th>
<th>Date TDEM Award Letter to City</th>
<th>Amount deposited by TDEM or applied by FEMA</th>
<th>Date Deposited Chase Bank</th>
<th>Federal Share %</th>
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<td>09/15/17</td>
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<td>$51,239.99</td>
<td>3/21/2019</td>
<td>100%</td>
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</tbody>
</table>

The table above represents data from the FEMA Grants Portal, detailing various project information such as row numbers, city department, FEMA obligation system EMMIE #, Tetra Tech PRN, project numbers, damage numbers, TDEM GMS Ref #, PW or Advance Version #, FEMA Work CAT, PW size, PW status, and PW or Expedited Advance Request Description. Each row provides specific details about projects, including their status and any obligations or advances made. The table is structured to facilitate easy comparison and understanding of the data presented.
### $335M Actual Costs Submitted to FEMA

#### Submitted Costs By Category

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<th>Category</th>
<th>Percentage</th>
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<td>A</td>
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<tr>
<td>B</td>
<td>49%</td>
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<tr>
<td>C</td>
<td>22%</td>
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<tr>
<td>D</td>
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<tr>
<td>E</td>
<td></td>
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<tr>
<td>F</td>
<td></td>
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<tr>
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#### Current Project Worksheets (PW) Uploaded to Grants Portal by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Category A (Debris)</td>
<td>$75,907,340.59</td>
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<tr>
<td>Category B (Emergency Work) – Expedited</td>
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<tr>
<td>Category B (Emergency Work) – Non Congregate*</td>
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<tr>
<td>Category B (Emergency Work)</td>
<td>$84,270,439.09</td>
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<tr>
<td>Category C (Roads and Bridges)</td>
<td>$0.00</td>
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<tr>
<td>Category D (Water Control Facilities)</td>
<td>$0.00</td>
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<tr>
<td>Category E (Buildings and Equipment)</td>
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<tr>
<td>Category F (Utilities)</td>
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<tr>
<td>Category G (Parks, Recreational Areas)</td>
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<td><strong>Total</strong></td>
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### $24M Under COH Review

#### Under COH Review

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<tr>
<td>B</td>
<td>13%</td>
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<tr>
<td>C</td>
<td>12%</td>
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<tr>
<td>D</td>
<td>3%</td>
</tr>
<tr>
<td>E</td>
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<td>F</td>
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<td>G</td>
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#### Current Project Worksheets (PW) Under COH Review by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A (Debris)</td>
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<tr>
<td>Category B (Emergency Work)</td>
<td>$480,442.74</td>
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<tr>
<td>Category B (Emergency Work) – Expedited</td>
<td>$146,802.50</td>
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<td>Category C (Roads and Bridges)</td>
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<td>Category D (Water Control Facilities)</td>
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<tr>
<td>Category E (Buildings and Equipment)</td>
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<tr>
<td>Category F (Utilities)</td>
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<td>Category G (Parks, Recreational Areas)</td>
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<tr>
<td>Category Z (Direct Administrative Costs)</td>
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<td><strong>Total</strong></td>
<td><strong>$24,492,718.89</strong></td>
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Management Reporting Tools

- Adhoc Fund Monitoring
- Analysis vs. Paralysis
Fundamentals of Disaster Accounting

• Disaster Accounting
  – Setting up of Grant in SAP (general ledger system)
  – Internal Order Number(s) by major department
  – Tracking of expenditures
  – Recording of expenditures by department
  – Recording of advances
  – Revenue/expenditure recognition
  – Due to/due from

• FEMA Forms and Schedules
  – Cost Summaries by PW
  – Data Collection to support PWs
  – Estimates based on RS Means
  – FEMA approved equipment rates
Steps following the declaration of a disaster

Mayor

- Disaster occurs
  - Mayor makes disaster declaration
  - Governor makes disaster declaration
  - President makes disaster declaration

FINANCE

- FIN sets up a separate I/O number for ALL City Departments
- FIN sends I/O number to City Departments
- Request EPO for immediate needs disaster consulting/contracts from SPD
- Relevant EPO for first 72 hours created
- Communicate to departments to bid out emergency and permanent work
Fundamentals of Disaster Accounting

Citywide I/O No. 30000061
Fundamentals of Disaster Accounting/Reporting

• Reporting of revenues/expenditures
  – Financial Statements (CAFR)
  – SEFA/SESA Reporting
  – Reconciliations
• Reporting for Advance

<table>
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<tr>
<th>Item</th>
<th>PK</th>
<th>D</th>
<th>Account</th>
<th>Description</th>
<th>Amount TTy C</th>
<th>O</th>
<th>W</th>
<th>BusA</th>
<th>Fund</th>
<th>Grant</th>
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<td>DR4332 - Advance for Cat A Debr Removal, remainin</td>
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Fundamentals of Disaster Accounting

- Reporting for Advance
In a **nonexchange transaction**, a government gives (or receives) value without directly receiving (or giving) equal value in return. This is different from an *exchange* transaction, in which each party receives and gives up essentially equal values.
Fundamentals of Disaster Accounting
– Revenue Recognition

• Timing of Recognition of nonexchange transactions
• Government-mandated nonexchange transactions
• Revenues or Deferred Revenue
• Government-mandated and voluntary nonexchange transactions
Fundamentals of Disaster Accounting – Revenue Recognition

• Scenarios

  – Project obligated on 06/25 but no FEMA money is received yet.

  – FEMA Money received on 08/25 for previously obligated project.

  – FEMA money received prior to obligation, project worksheet filing, expenditure/expenses incurred.

    (Assuming- Fiscal Year ends June 30)
Conclusion

• How to keep the money

• Robust controls

• Compliance with 2 CFR Part 200

• Efficient record keeping

• Successful audits/appeals