

Increasing Cost Recovery Capacity

Initiative Summary Statement:

Incorporate cost recovery planning into preparedness efforts to increase jurisdictional resilience.

Initiative Description:

Objective: Jurisdictions can develop a Cost Recovery Plan as part of emergency preparedness efforts to support the ability to track and align post-disaster recovery resources, so that they are utilized to the maximum potential. State and federal assistance is designed to supplement the response and recovery efforts of a local jurisdiction when the costs and damages sustained during a specific disaster event exceeds the capacity of a local government to respond, recover, or build resiliently for the next disaster. Cost Recovery Plans increase resilience by preparing jurisdictions to follow financial policies and procedures, improve cost tracking processes, improve document management processes, and define how post-disaster funding will be identified and aligned with strategic priorities.

Need: The effective management and strategic use of post-disaster funding opportunities requires trained staff and pre-established policies, procedures, and systems. In 2023, the State of Florida passed SB 250 (2023), encouraging local governments to develop an emergency financial plan for major natural disasters. Developing a jurisdiction-specific Cost Recovery Plan or other similar emergency financial plan is an emerging best practice in the emergency management sector given the level of effort and complexity of managing response and recovery resources.

The Lee County *Hazard Identification and Risk Assessment* describes that the County is “susceptible to a multitude of natural hazards that occur with some degree of regularity.”²⁷ With \$112 billion in damages, Hurricane Ian is the third costliest tropical system to make landfall in the United States (U.S.), behind only Hurricane Katrina (2005) and Hurricane Harvey (2017).²⁷ The tracking and submission of eligible response and recovery expenses

²⁷ Lee County Hurricane Ian After-Action Report. (2023)

<https://www.leegov.com/hurricane/Documents/AAR/Lee%20County%20Hurricane%20Ian%20AAR.pdf>

reimbursable through State or Federal sources for events like Hurricane Ian is a significant burden on jurisdiction staff who are also managing the response to the disaster and personally recovering. Federal reimbursement through the Federal Emergency Management Agency (FEMA), Federal Highway Administration (FHWA), and many other programs and agencies often requires lengthy documentation. Proper documentation includes accurate and detailed recordkeeping, assessment of damage and incurred costs, and regular reporting.

Regional Approach: A regional approach to Building Cost Recovery Capacity would include each jurisdiction developing financial plans and identifying the tools to recover financially from disasters. While each municipality has its own financial and documentation systems, a collective regional approach would allow for potential streamlined planning, resource sharing, and cost savings. As part of completing financial plans, Jurisdictions could collaborate to develop memorandums of understanding (MOUs) or cooperative purchase agreements to effectively share resources, therefore lowering costs and reducing the financial burden on the community.

A well-designed Cost Recovery Plan is one method to build capacity to recover costs effectively. Prior to Hurricane Ian, Lee County government was developing a Cost Recovery Plan. Municipalities that do not currently have cost recovery plans can reference Lee County's draft Cost Recovery Plan as an example that establishes an approach, roles and responsibilities, and key processes for cost recovery. The FEMA Public Assistance Program and Policy Guide can also be used as a tool during plan development to understand the expectations of one significant source of disaster funding. A holistic approach to cost recovery can also include developing additional resources to support complex federal grants management, maintaining effective municipal and community engagement, streamlining information systems management, considering proactive training or other capacity building activities for future response and recovery operations, and developing tools to support cost recovery operations during the planning process.

Impact: Emergency financial planning such as Cost Recovery Plans can aid the community with recovering the eligible costs incurred during and after a disaster. The goal of pre-disaster cost recovery planning is to minimize the administrative burden of conducting cost recovery operations (i.e., cost tracking, documentation, and reporting) and maximize the financial benefit to promote holistic and effective recovery.

In addition to the direct benefits of cost recovery planning, the Florida Division of Emergency Management (FDEM) in 2023 created a new initiative, the Florida Recovery Obligation Calculation (F-ROC), that standardizes, streamlines, and simplifies the FEMA Public Assistance process. FDEM acts as a pass-through entity that receives funding from

FEMA to then distribute to eligible local jurisdictions. Through F-ROC, FDEM intends to fast-track the distribution of funding to Applicants that can demonstrate past responsible use of funds and documentation of cost recovery processes. Under this new approach, Lee County and the municipalities can position themselves to potentially receive post-disaster funds on an expedited timeline through responsible funds management and cost recovery planning. Utilizing this statewide training program may result in a quicker recovery and reduced risk for Applicants.

By maintaining cash flow during and after a disaster and expediting recovery, the preparedness efforts described in this Initiative may help to minimize the long-term economic impact of disaster events on the community. In a tourism-based economy that relies on the return of visitors post-disaster, the efficient and effective recovery of public facilities in areas such as the City of Sanibel and the Town of Fort Myers Beach is especially important and can provide economic benefits for all of the County.

Key Considerations:

When approaching the implementation of this Initiative the following should be considered:

- Analysis of risk and vulnerabilities to hazards;
- Potential costs and damages incurred during response and recovery;
- Potential funding sources and management;
- Development of additional resources to support complex federal grants management;
- Effective and streamlined information systems management;
- Proactive capacity building for future response and recovery operations; and
- Development of tools to support cost recovery operations during the planning process.

Co-Sponsoring Branches:

Planning & Capacity, Economic Recovery, and Infrastructure

Stakeholders:

- Florida Division of Emergency Management
- County departmental experts on administration, public safety, and procurement.
- Municipal departmental experts on administration, public safety, and procurement.
- Health and Mental Health providers

Potential Funding Sources:

- Federal Emergency Management Agency

- United States Department of Housing and Urban Development
- United States Department of Transportation
- Florida Division of Emergency Management

DRAFT