



Office of the City Manager

CONSENT CALENDAR

November 29, 2005

To: Honorable Mayor and  
Members of the City Council

From: *PK* Phil Kamlarz, City Manager

Submitted by: Fran David, Director, Finance Department

Subject: Hurricane Katrina Disaster Fund and Future Disaster Fund

RECOMMENDATION

Adopt a Resolution establishing a new fund (Fund 693) for the purpose of accounting for expenditures associated with the Hurricane Katrina disaster, and establishing another fund (Fund 694) to account for expenditures for future disasters for which the City will receive reimbursements from Federal and/or State agencies.

FISCAL IMPACTS OF RECOMMENDATION

There are no fiscal impacts from creating these new revenue funds. Having adequate systems to document, record, track, and report disaster expenditures will increase the probability the City will receive all the grant reimbursements it is entitled to.

CURRENT SITUATION AND ITS EFFECTS

With the recent Hurricane Katrina and Rita activities occurring in other states and evacuees dispersed across the nation, the City has applied to the Federal Emergency Management Agency (FEMA) for public assistance in providing interim housing to the evacuees. Also, in response to the needs of evacuees from Hurricane Katrina who came to Berkeley in September 2005, the City, in partnership with the Berkeley YMCA, the faith community and local community agencies, opened an information and resource center to provide short-term relief and access to federal and local assistance. The Hurricane Katrina Resource Center assists these hurricane evacuees seeking support in reaching the Red Cross, FEMA and other local resources.

In order to receive proper reimbursement from FEMA, the City needs to document, record, track, and report the eligible expenditures incurred. Staff has established Fund 693 to account for the City's Hurricane Katrina disaster, which occurred outside of Berkeley, and for which Berkeley is providing response services. Recording these expenditures in Fund 693 will assist the City in applying to FEMA for reimbursement of all eligible expenses.

Whenever a disaster occurs, the situation is going to be chaotic and the City's focus will be on saving lives, and caring for those injured and made homeless by the disaster. That is not the time to establish systems to track and record disaster-related expenditures. These systems can, and

should, be put in place before the disaster occurs. Therefore, staff is seeking Council's authorization to establish Fund 694 to account for expenditures of a future disaster that will be reimbursable in some shared proportion from FEMA and the California Governor's Office of Emergency Services (OES).

The legal level of budgetary control at the City of Berkeley is at the fund level. The legal level of budgetary control is the lowest level at which the City's management may not reallocate resources without City Council approval. As a result, the creation of a new fund requires the approval of the City Council.

### BACKGROUND

In the past, City staff established Fund 618 to account for FEMA and OES expenditures and reimbursements associated with Berkeley's Oakland Hills Fire and the Loma Prieta earthquake. Since then, a separate fund has been established to account for expenditures and reimbursements related to each disaster.

With the recent Hurricane Katrina and Rita activities occurring in other states and evacuees dispersed across the nation, the City applied to FEMA for public assistance in providing interim housing to the evacuees. Fund 618 and the other funds set up for previous disasters are no longer appropriate to use for Hurricane Katrina because it is a unique situation where the disaster occurred outside of California and all eligible category B costs (i.e., emergency protective measures) are 100% reimbursable from FEMA. Fund 693 was set up to account for this unique grant situation.

The City needs to have a fund (Fund 694) set up to track and record expenditure transactions that are reimbursable under the FEMA/State OES cost sharing agreement, should a future local disaster occur. The cost sharing percentages of these grants are subject to change depending on the severity of a disaster, however, the minimum Federal cost share is 75% of eligible costs.

### RATIONALE FOR RECOMMENDATION

In order to receive the maximum reimbursement allowed from FEMA for grant expenditures related to disasters, the City needs to adequately document, record, track, and report the eligible expenditures incurred. A fund should be established to record and account for all Hurricane Katrina transactions, and another fund needs to be established before, not after, another disaster occurs, in order to ensure all reimbursable expenditures are recovered. The establishment of new funds requires City Council approval.

### ALTERNATIVE ACTIONS CONSIDERED

The alternative would be to continue to use one of the funds previously used for another disaster. However, the FEMA funding for Hurricane Katrina is unique, and since staff expects the expenditures and reimbursements to exceed \$1 million, a clear audit trail should be maintained by using a new fund to record the transactions related to Hurricane Katrina.

CONTACT PERSON

Robert Hicks, Deputy Director, Finance Department, 981-7339

Attachment:  
1: Resolution

RESOLUTION NO. ##,###-N.S.

ESTABLISHING A FUND FOR THE HURRICANE KATRINA DISASTER AND A FUND  
FOR FUTURE DISASTERS

WHEREAS, the City is expending funds for the Hurricane Katrina disaster that are reimbursable by the Federal Emergency Management Agency (FEMA); and

WHEREAS, the City would like to be adequately prepared to account for expenditures made on future disasters, should they occur; and

WHEREAS, Federal grant agencies require that transactions be adequately documented, properly recorded and accounted for, in order for the City to receive reimbursement for grant expenditures made; and

WHEREAS, the City seeks to maximize the amount of reimbursable grant expenditures received; and

WHEREAS, a fund is a fiscal and accounting entity with a self-balancing set of accounts that can record and account for all transactions related to specific activities that are segregated for the purpose of carrying on those activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations; and

WHEREAS, the authorization of the City Council is required for the creation of new funds.

NOW THEREFORE, BE IT RESOLVED that the Council of the City of Berkeley establishes Fund 693 to account for City expenditures related to the Hurricane Katrina disaster, and Fund 694 to account for future disasters whose expenditures are reimbursable by FEMA and the California Governor's Office of Emergency Services.