Funding Flood Resilience in Harris County

JUNE 29, 2021

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CONTENTS:

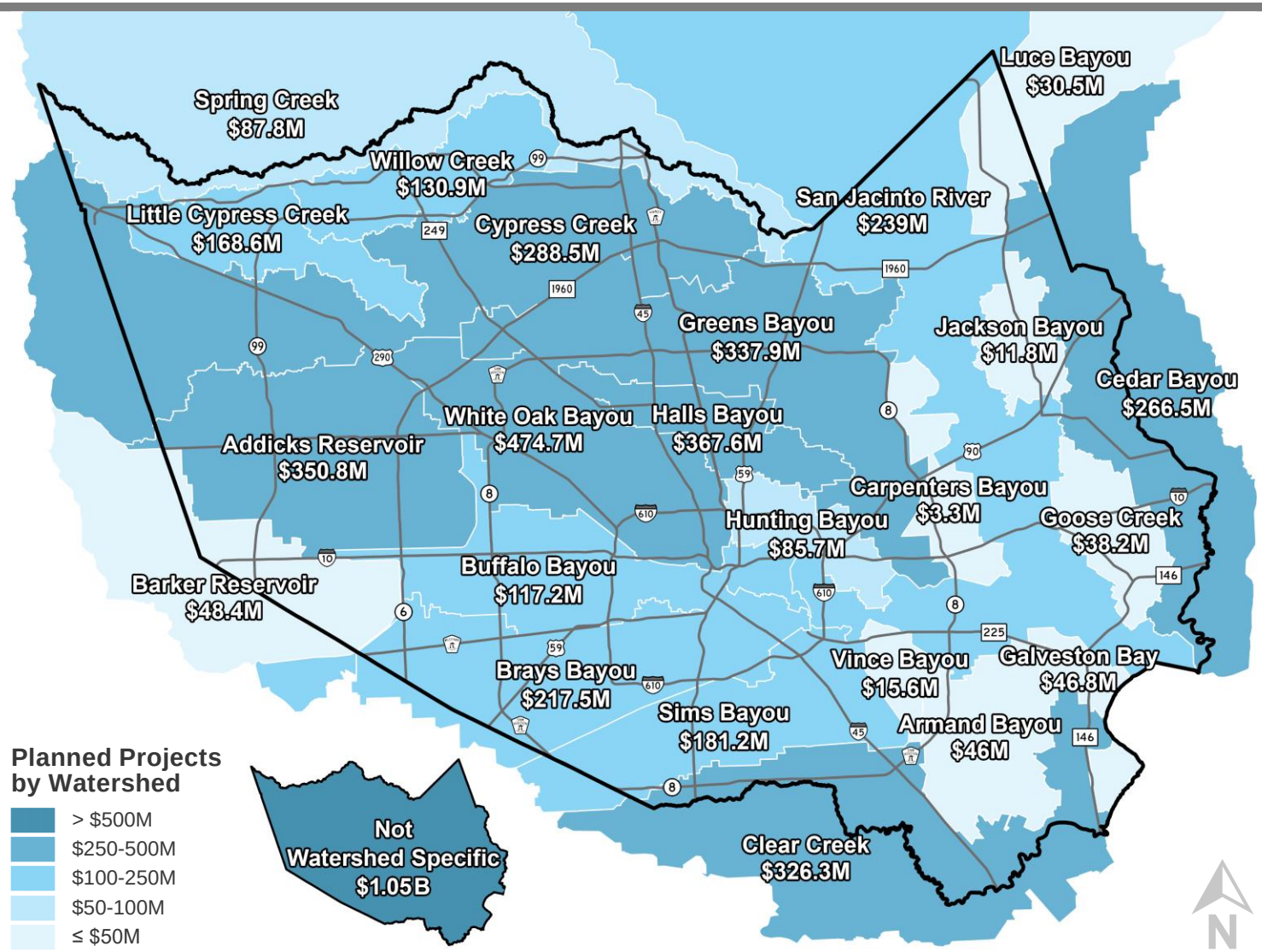
- **Executive Summary**
- Partner Funding
- New Funding Sources
- Flood Resilience Trust
- Equity and Prioritization

Background and Context

- The Flood Control District historically focused on receiving Federal funding, though its mission has always been broader flood risk reduction
- Investment in flood risk reduction efforts has not kept pace with investment in other infrastructure
  - Since the early 1980s, Harris County invested almost $5B in toll roads alone vs. $2.5B in flood risk reduction projects
- August 2017: Hurricane Harvey changed the landscape.
  - August 2018: Voters passed $2.5B bond to fund $5B countywide flood risk reduction effort
  - August 2019: Commissioners Court adopted an equity-based prioritization framework
  - Assistance from Federal and state government expected at an unprecedented scale
- March 2021: $1.4B funding need identified
  - $1.3B for 2018 Bond Program
  - Remainder for non-bond flood control capital projects
- June 2021: Flood Control District, with assistance from the Budget Management Department, directed to return to Commissioners Court with full funding plan

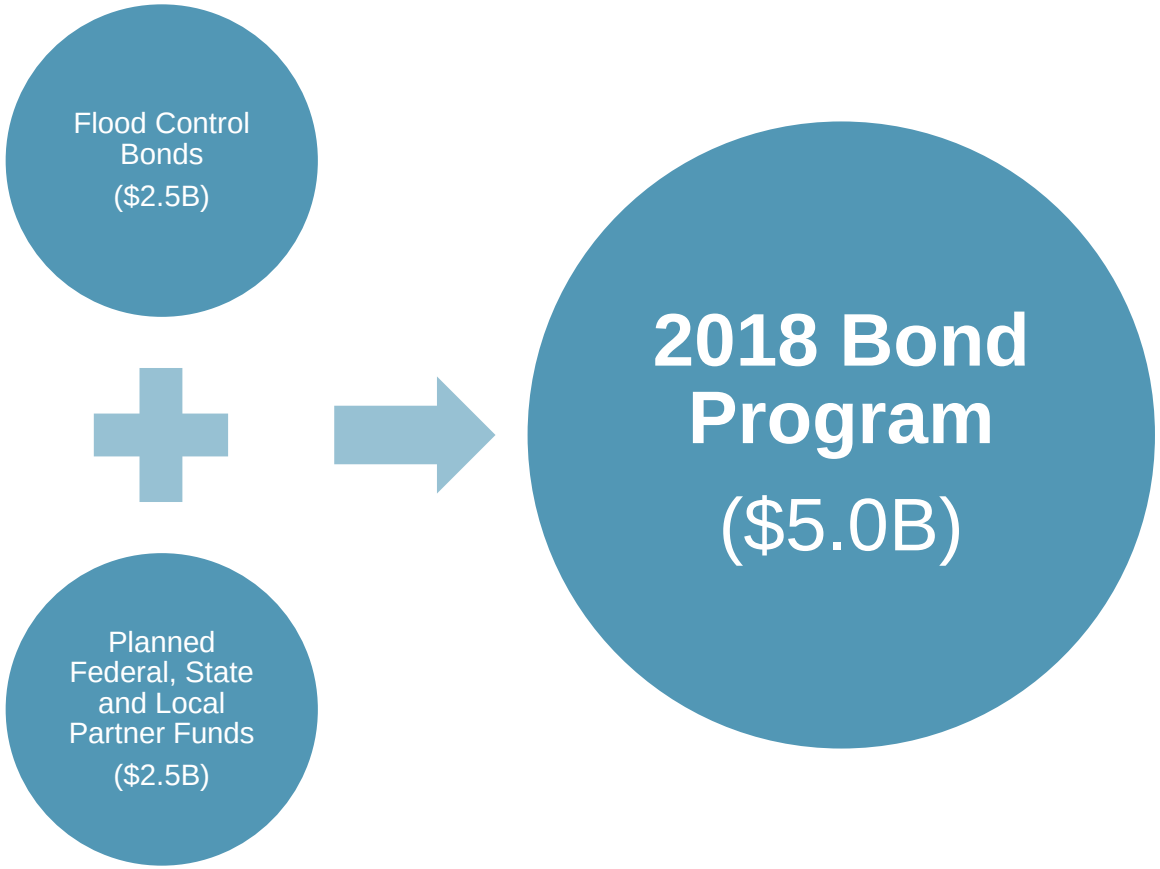
2018 Bond Program

$4.9B of projects planned across 23 watersheds



Funding Plan for 2018 Bond Program

Original Plan in 2018

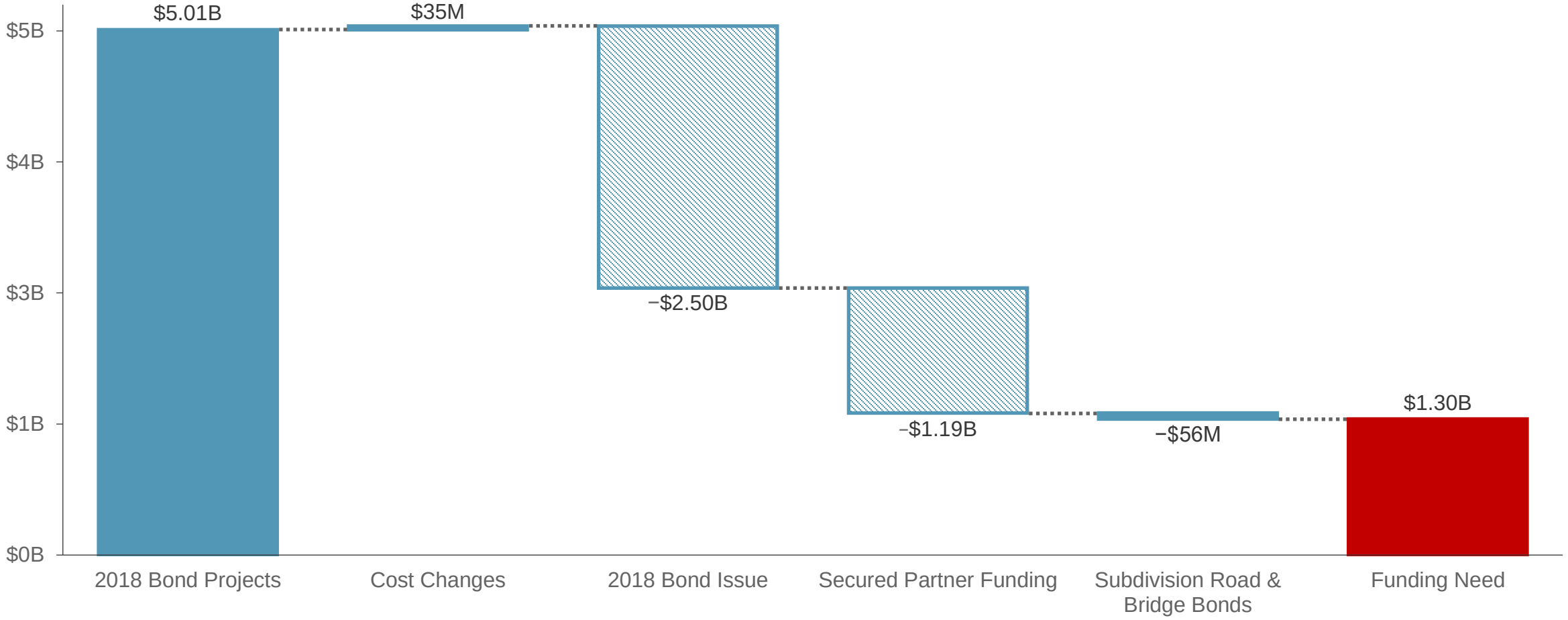


Issues Identified in 2021

- About 50% of planned partner funding has not yet materialized
- Nearly every dollar of bond capacity is allocated to a specific project
  - No room to manage uncertainty around budgets and partner funding
  - Limited ability to contend with lack of partner funding
- The equity-based Prioritization Framework approved by Commissioners Court governs when projects are started but has limitations:
  - Did not control where funds are applied
  - Originally excluded projects that had already been started, countywide projects and subdivision drainage projects

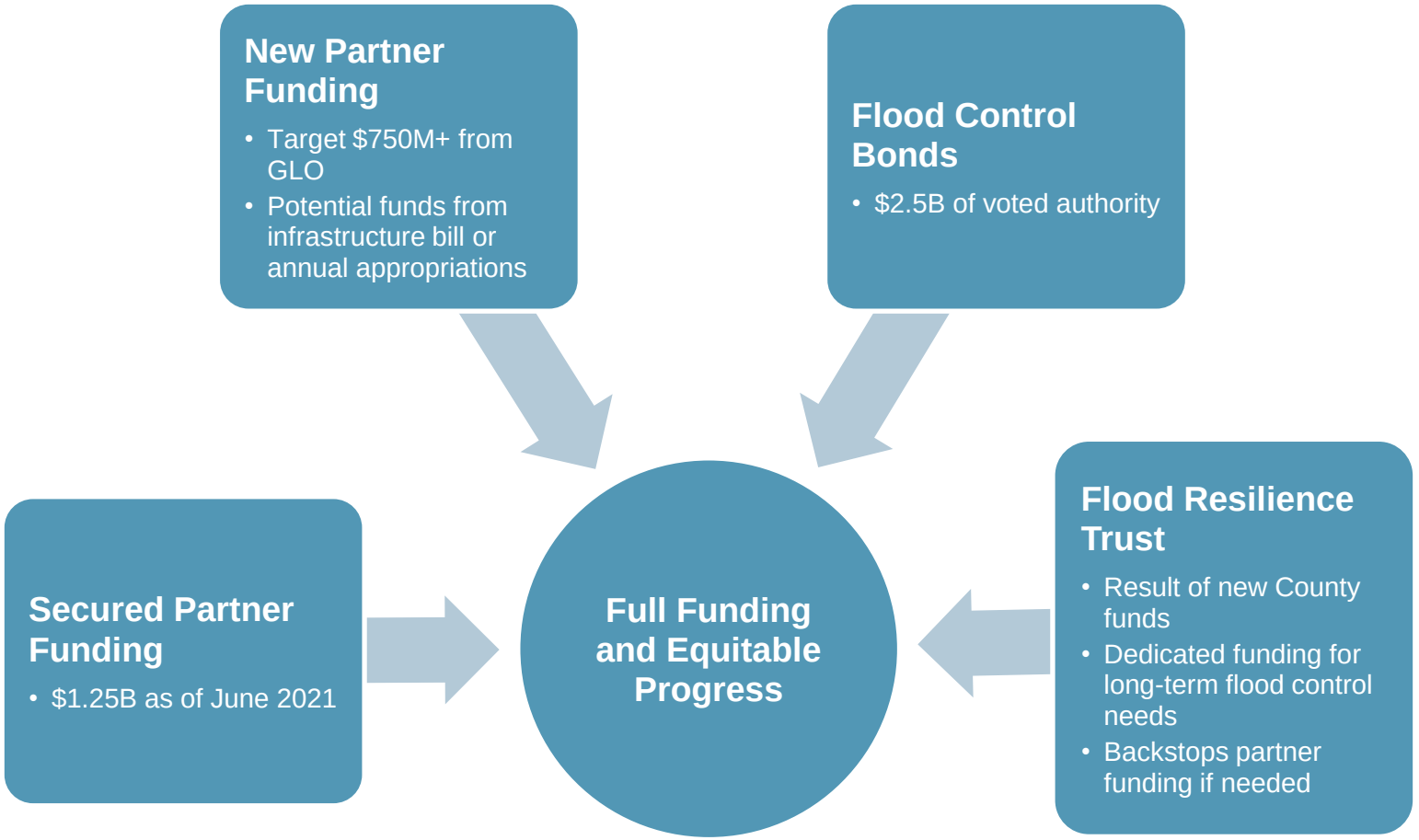
MODIFICATIONS RECOMMENDED TO ASSURE FULL FUNDING AND EQUITABLE PROGRESS

Funding Situation as of March 2021



Note: Due to rounding, figures presented throughout this presentation may not add up precisely to totals presented.

Overview of Updated Funding Plan



Prioritization Framework

- Governs when new projects start work
- Expanded to include all watershed-specific projects
- Expanded to address funding
  - Determines the priority in which the Flood Resilience Trust is applied, if needed, to backstop missing partner funds

Updated Funding Plan for 2018 Bond Program

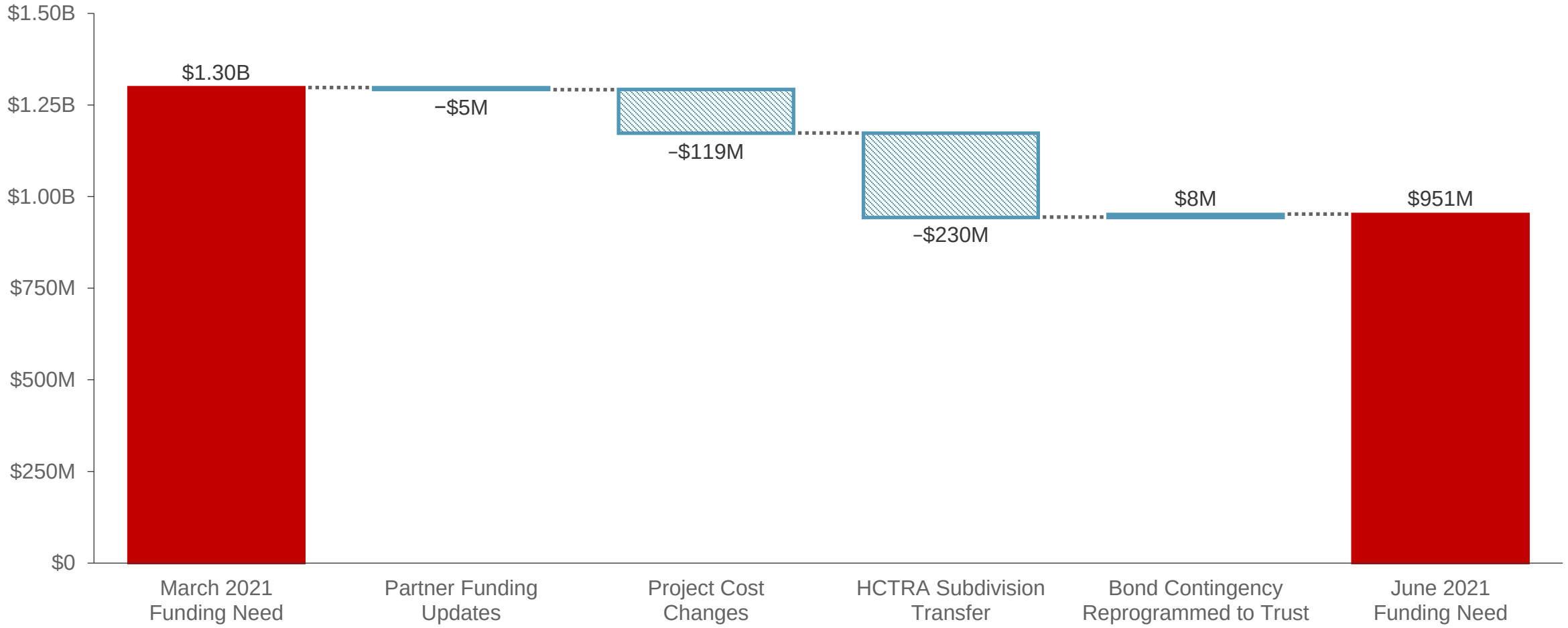
Key Recommendations

1. Continue aggressively pursuing partner funds, including additional Federal funding sources, to meet Harris County's overall needs, but not at the expense of delaying or reducing the scope of priority projects.
2. Continue the bipartisan political push to assure that the Texas GLO delivers a minimum of $750M of 2018 Harvey CDBG-MIT funds to Harris County.
3. Direct funds, including $315M in funding approved by Court in April, to a Flood Resilience Trust to backstop the 2018 Bond Program and provide for flood control needs beyond the Bond Program.
4. Designate $40M per year of new mobility funds for Flood Resilience Trust on an annual basis.
5. Expand the Prioritization Framework to include all projects with missing partner funding and allocate funds from the Flood Resilience Trust.

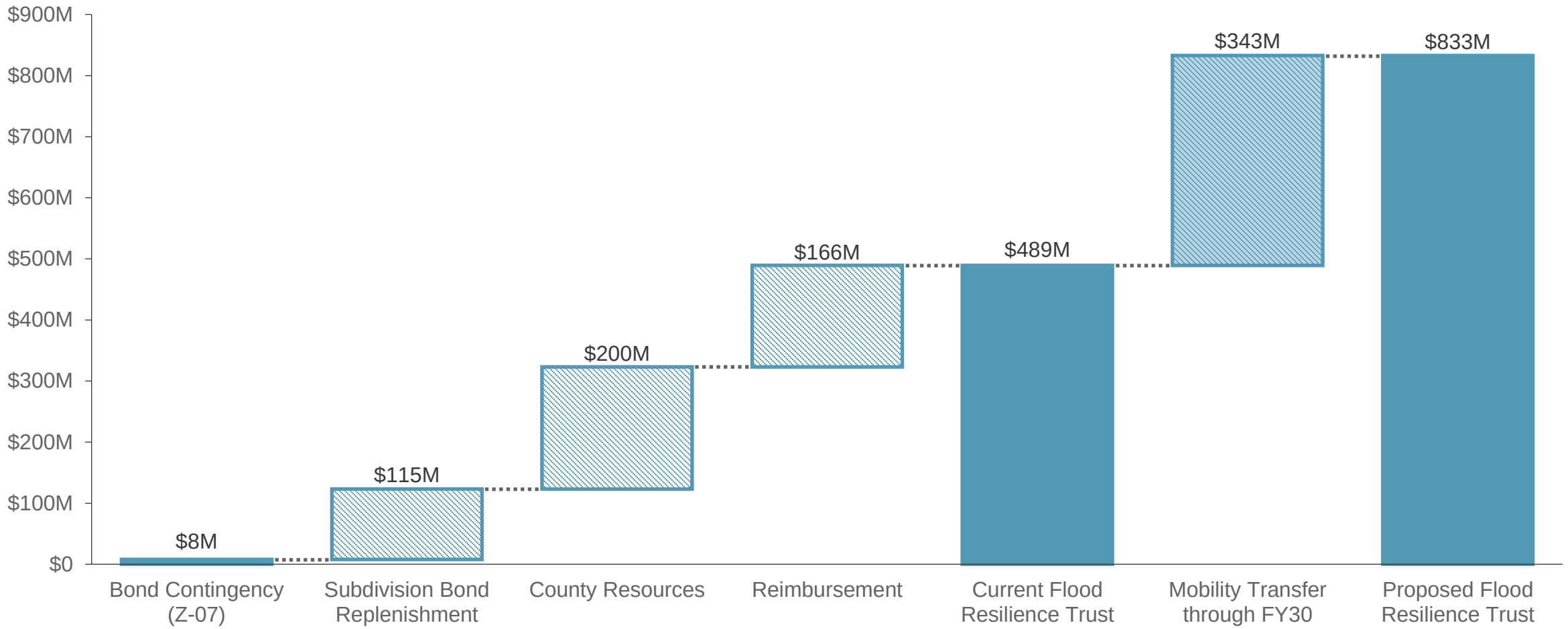
Expected Results

- Full funding of the 2018 Bond Program
- Equitable progress across the 2018 Bond Program
- Groundwork laid for flood control needs beyond the 2018 Bond Program

Funding Need Changes Since March 2021



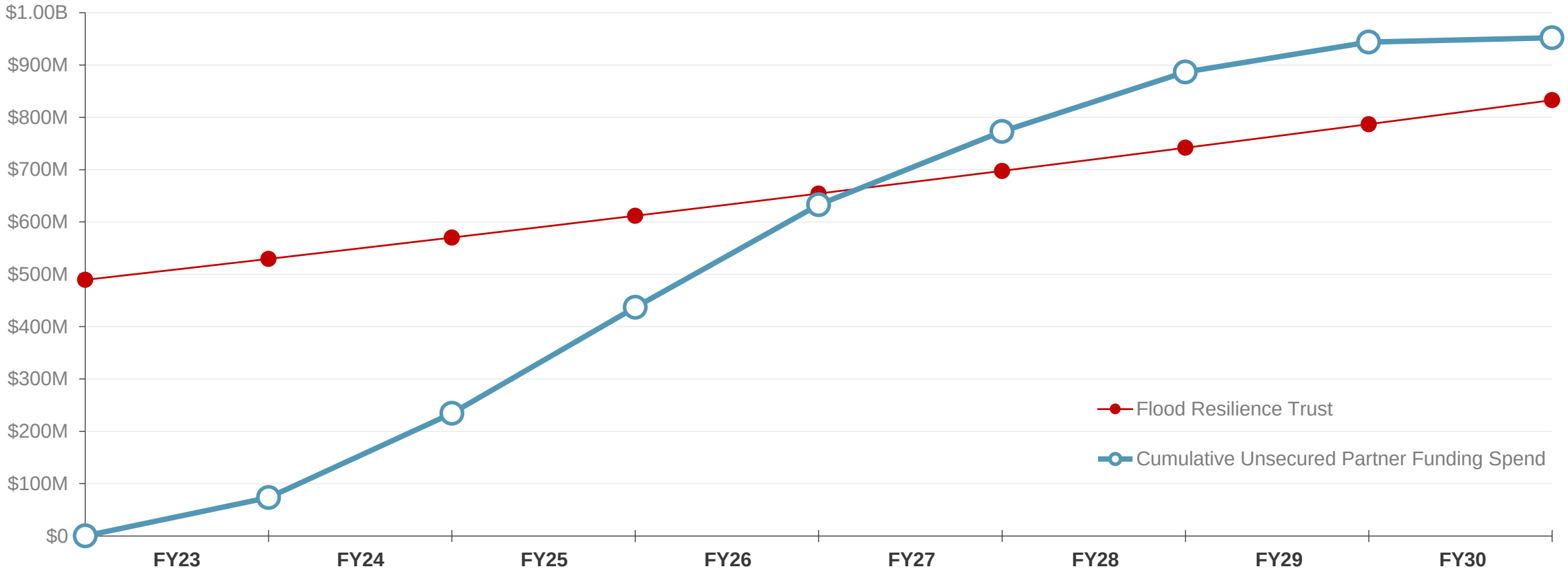
Flood Resilience Trust Funding



Notes: "County Resources" may include HCTRA surplus revenue transfers or other County resources, as ordered by Commissioners Court on 4/27/21. "Reimbursements" include (1) legal agreements between HCFCD & Army Corps for funding reimbursements on Federal projects and (2) legislated and funded reimbursements from the State of Texas.

Flood Resilience Trust Covers Missing Partner Funds for Several Years

Unsecured Spending and Flood Resilience Trust by Year



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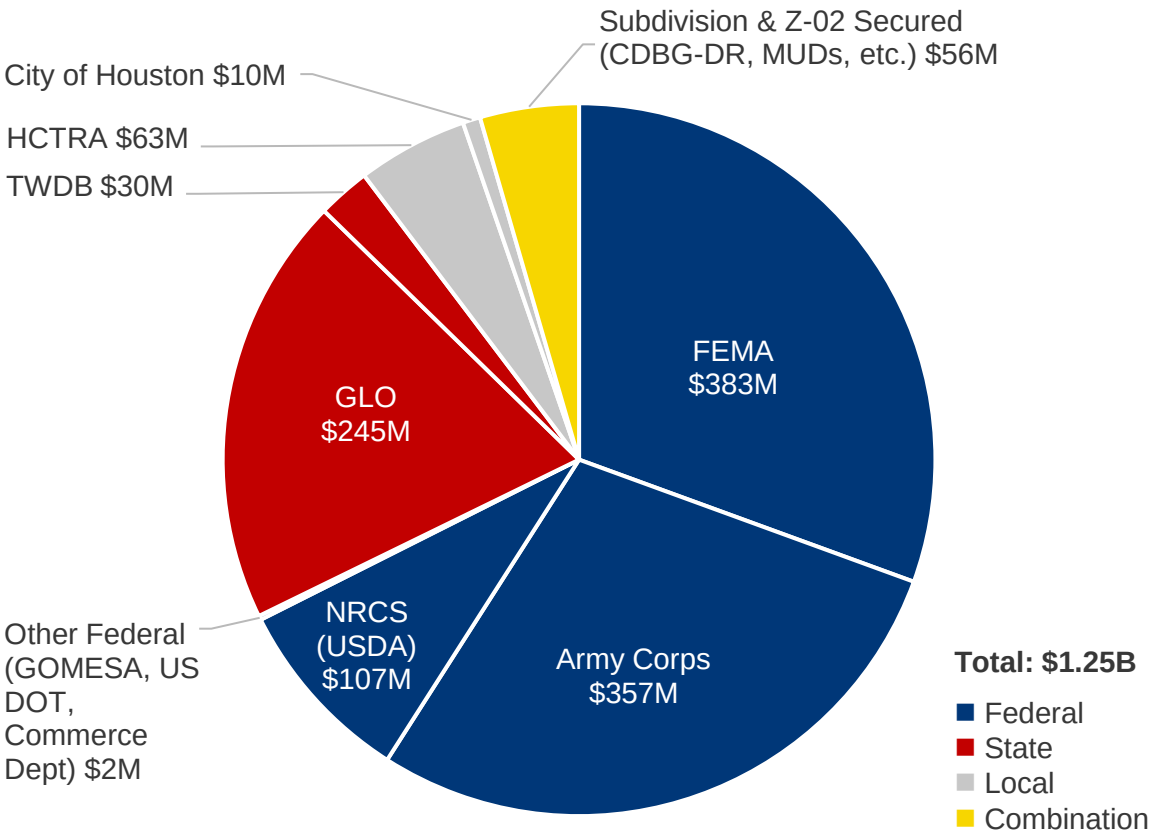
Partner Funding Update

Secured Partner Funds ($M)



Additional Funding Opportunities

- **Previous Federal allocations**
  - **General Land Office (GLO):** Direct allocation ($750M promised)
- **American Jobs Plan (Infrastructure Bill)**
- **Annual Federal appropriations**
  - **Army Corps:** Water Resources Development Act (WRDA 2020) (up to $10M)
  - **FEMA:** Building Resilient Infrastructure and Communities (BRIC) (up to $50M)
  - **Dept of Agriculture:** Natural Resource Conservation Service (NRCS)
- Other State Funds
- Other Local Funds (up to $20M)

CDBG-MIT Funding

- Harris County experienced approximately half of all damage and deaths from Harvey: tens of billions of dollars and 35 fatalities
- Expectation: Harris County to receive $1B, City of Houston to receive $1B in mitigation funds
- Received $0 of nearly $1B awarded so far by General Land Office (GLO)
- GLO Commissioner George P. Bush promised $750M in direct allocation to Harris County
- Harris County should continue its bipartisan effort to secure its fair share of funds, proportional to damage
- $1B+ of Federal funding can preserve the Flood Resilience Trust for future projects

Federal Funding

- Federal funding is important for Harris County to meet its flood risk mitigation needs
- In recent years, opportunities for Federal funding of local infrastructure (such as FEMA's BRIC program) have increased
- Fate of 2021 Federal Infrastructure Bill uncertain but includes the possibility of an increased flow of Federal funding to large urban counties
  - Local delegation holds key positions of influence
  - HC has developed a track record of good stewardship of Federal funds (Rental Assistance, other CARES funding)
  - We should push for money to be directly allocated to local government
- HC has contracted with boutique infrastructure firm, Carpi and Clay, to assist in coordinating the push for increased Federal funding. They are working with a coordinated team from FCD, IGA and Budget Management.

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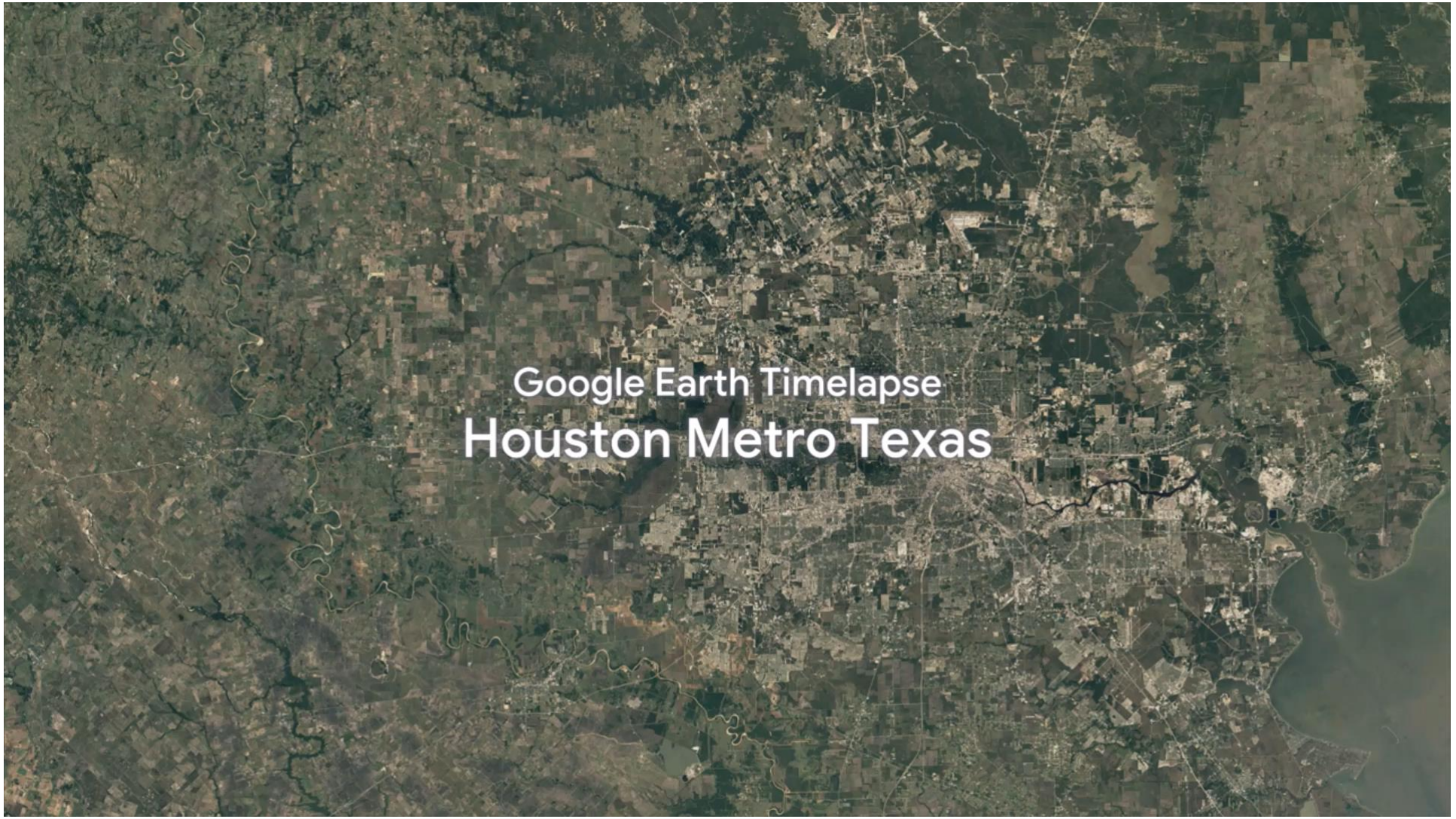
Need for New Funding Sources

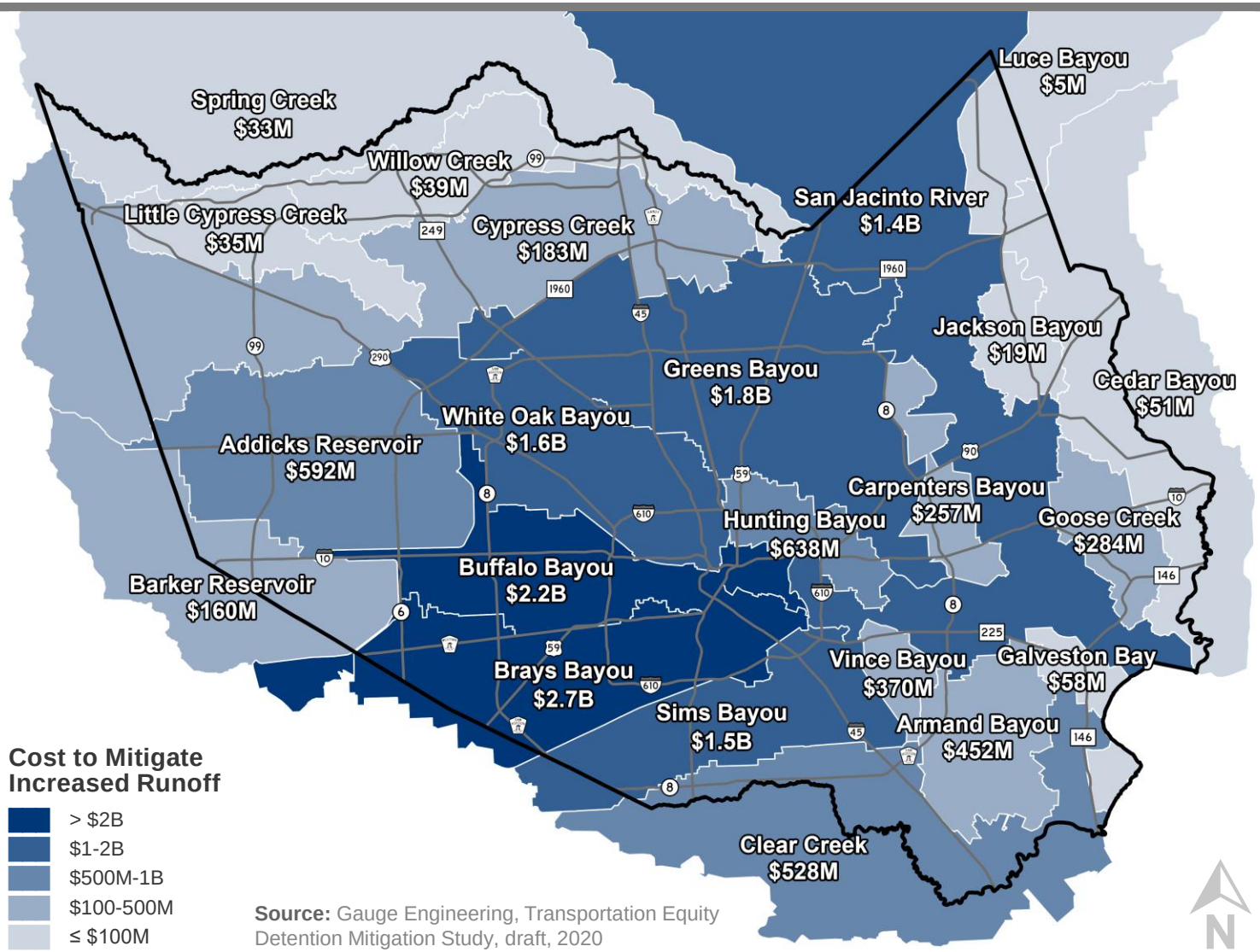
- Flooding has always been an issue due to our geography and topography
- As Harris County has developed, flooding has only worsened
- To secure our region's future, we need to heighten the priority of flood risk reduction and there must be a corresponding increase in flood risk reduction funding
- Harris County needs a way of funding its priorities without being dependent on uncertain partner funding sources
- To allow for proper flexibility and certainty, this money must be entirely controlled by Harris County

Harris County Development Timelapse



Impact of Road Development on Flooding in Harris County

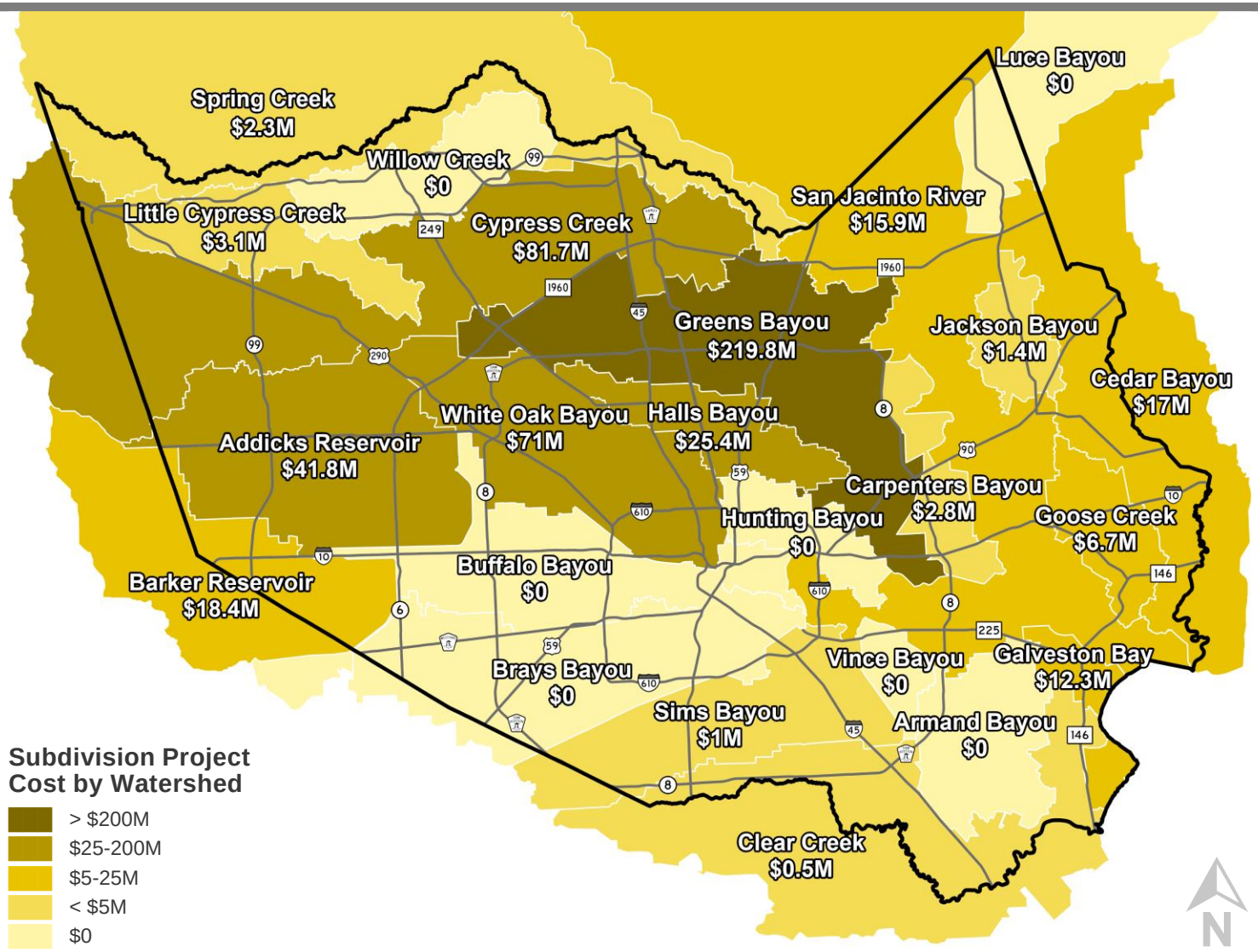
- Road development in Harris County has had direct impact on flooding
- Nearly $15B to mitigate increased stormwater runoff caused by historical development of roadways
  - Calculations considered road construction date & required detention at that time, average share of impervious cover attributable to road construction, local construction & ROW costs
- Transportation funds are a logical source for funding flood control projects with a transportation nexus



Source: Gauge Engineering, Transportation Equity Detention Mitigation Study, draft, 2020

Initial Steps to Reduce Funding Gap Relied on Transportation Funding

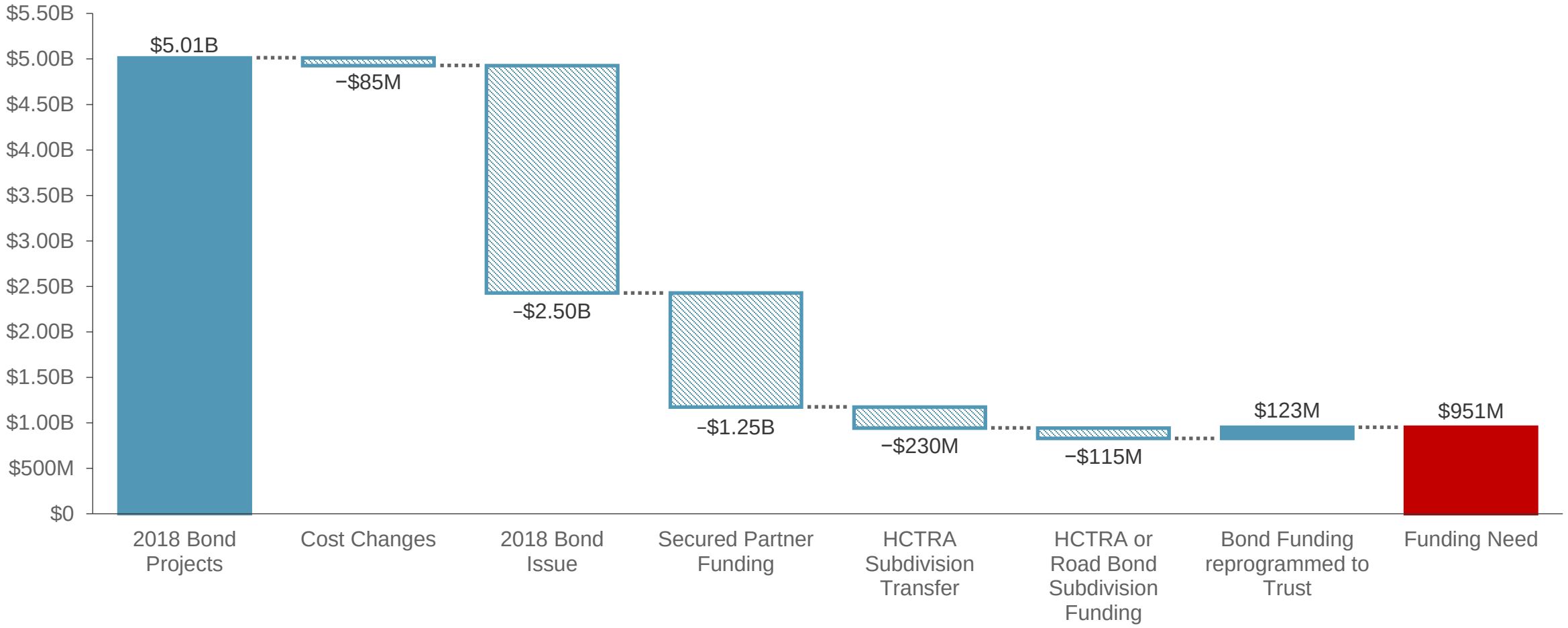
- **April 27:** Through Commissioners Court approval, $545M of County transportation funds dedicated to flood & drainage projects
- Originally funded mostly with 2018 Bond Program and anticipated partner funding
- Reduced overall 2018 Bond Program funding need by $230M and seeded Flood Resilience Trust with $315M



New Annual Mobility Transfer

- Harris County can balance new road construction with managing drainage
  - Both needed, but flood risk reduction must also be prioritized
  - Work on this started with funding plan for Subdivision program
- Propose $40M annual transfer of HCTRA surplus to be used for flood risk reduction projects with a transportation nexus
  - Transfer to increase based on measured inflation
  - Provides backstop for 2018 Bond Program
  - Seeds Flood Resilience Trust for future years and generations
  - Does not reduce current mobility transfer to Precincts
  - All uses will require a transportation nexus, will be reviewed by the County Attorney and will be in accordance with state law
- HCTRA's current financial models, developed with County staff and financial advisors, validates HCTRA's ability to support this annual increase in transfer
  - Distributions subject to adequate liquidity at HCTRA and in the annual budget

Funding Situation as of June 2021



Additional Funding Options

NOT RECOMMENDED AT THIS TIME

- Additional voted bond authority
  - Only recommended after:
    - Flood risk reduction projects have been prioritized for communities in need
    - A substantial portion of the construction work promised in the 2018 Bond Program has been completed
- Increased Flood Control District maintenance and operations taxes
  - To be considered in September 2021 for future maintenance needs, but not recommended for Bond Program funding need
- Contract bonds

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Description of Flood Resilience Trust

- New County funding sources should be held in trust for completing current and future flood risk reduction projects
  - Provides stability & security for flood risk reduction funding
  - Allows Harris County to take control of its own destiny
- Use the Flood Resilience Trust to:
  - Backstop the 2018 Bond Program
  - Mitigate risks of increased construction costs
  - Fund future flood risk reduction projects beyond the 2018 Bond Program
- Flood Resilience Trust does not eliminate the need for partner participation
  - For flood resilience, Harris County needs tens of billions of dollars, and all levels of government must contribute
  - Using the Flood Resilience Trust for projects now will decrease what can be used for future projects
  - Harris County should not have to borrow from the future to compensate for partner shortfalls

When Will a Project Receive Flood Resilience Trust Funding?

Must meet two conditions:

1. Project is ready to continue, but bond & partner funding has run out
   - Exception: If a project may imminently receive partner funding for construction, the Flood Control District may propose to Court to wait a defined time period for partner funding

2. Funding the remainder of the project with Trust funding will not leave other higher-priority projects without potentially needed Trust funding
   - Use Prioritization Framework to rank project priority for funding purposes.
   - Consideration should be given to any legal restrictions on use of funds (e.g., mobility)

Examples of Flood Resilience Trust Funding Allocation

C-09: South Post Oak Detention Basin (Sims)

Projected to have bond funding until FY24

- If by then no partner funding secured, project eligible for Flood Resilience Trust funding
- Highest-ranked project in Prioritization Framework

Result: Eligible for Flood Resilience Trust funding

C-23: Channel in Halls Bayou Watershed

Projected to have bond funding until FY24

- If by then no partner funding secured, project eligible for Flood Resilience Trust funding
- Higher-ranked projects have $74.5M unsecured, and this project has $22.5M unsecured
  - We have more than the $97M required to fund both higher-ranked projects and this project in the Flood Resilience Trust

Result: Eligible for Flood Resilience Trust funding

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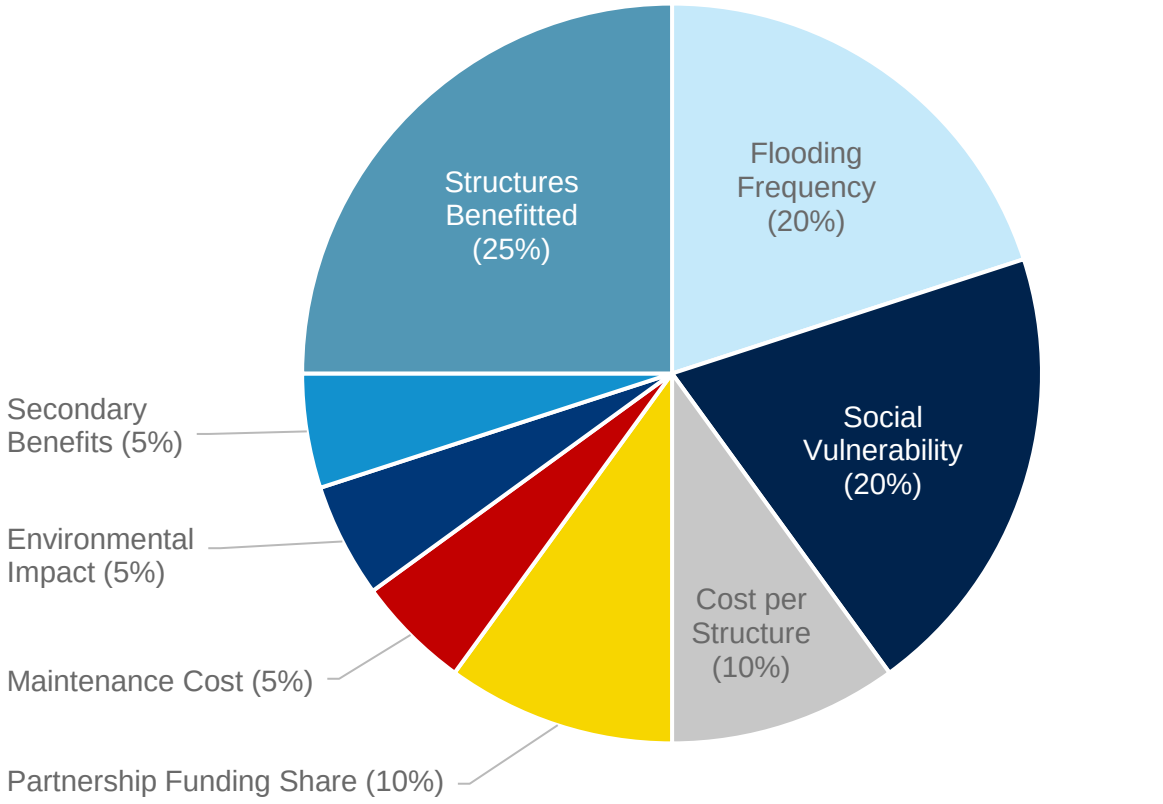
Prioritization Framework for Starting Projects

Prioritization Framework through Today

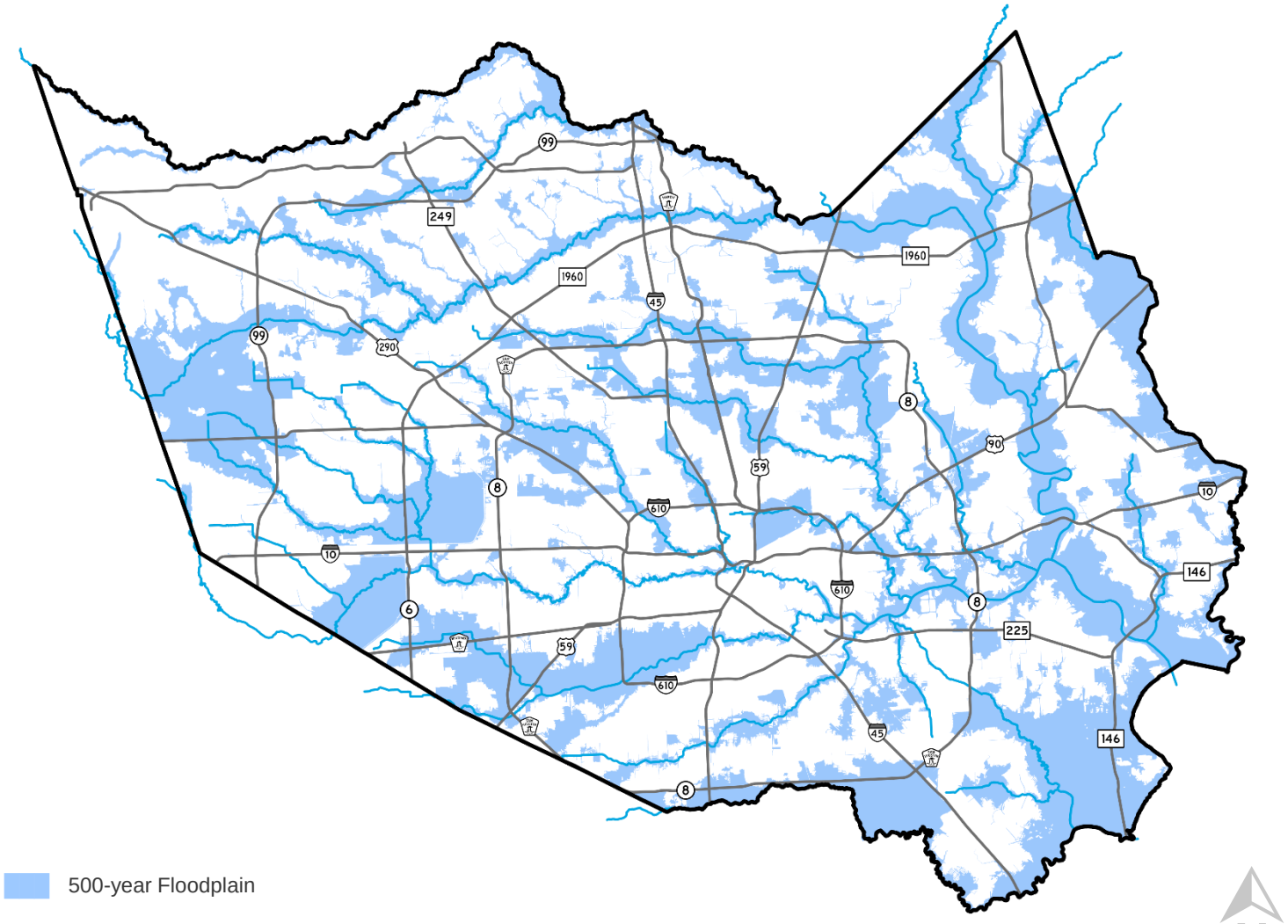
- Prioritization Framework established in 2019 & approved by Commissioners Court to determine order in which project initiation began
- Originally only applied to design start dates and projects not yet started
- This framework should be applied to Flood Resilience Trust funding as well
  - All watershed-specific projects now scored
  - No suggested changes to 2018 Flood Control Bond allocations at this time
- Minor adjustments may be appropriate—e.g., scoring should be based on secured partner funding, not planned partner funding

Prioritization Framework Factors



Risks to 2018 Bond Program Funding

- Reduced toll revenue
- Reduction in the ability of HCTRA to fund mobility transfers
- Reduction in County funds
- Increased construction costs
- Legal risks (e.g., permitting, right-of-way acquisition)

Additional Needs Beyond the Bond Program

- The 2018 Bond Program is a down payment on flood resilience in Harris County to ensure public safety while securing the region's future
- The ongoing need to invest in flood risk reduction projects remains after completion of 2018 Bond Program
  - Over 300k structures are in the 500-year floodplain, approximately 25% of structures in County
- Future programs should continue with a “worst first” equity-based approach