HARRIS COUNTY
BUDGET MANAGEMENT DEPARTMENT

(713) 274-1100
1001 Preston St. #500 Houston TX 77002
http://budget.harriscountytx.gov/

June 29, 2021

Recommendation

To provide certainty for the 2018 Flood Control Bond Program (Bond Program) and future County flood mitigation efforts, the following recommendations are submitted for Commissioners Court's consideration:

1) Create the Harris County Flood Resilience Trust, a source of County-controlled funds for flood control;
2) Direct the specific, previously approved funding, described below, be allocated to the Flood Resilience Trust;
3) Increase the annual mobility transfer from the Harris County Toll Road Authority (HCTRA) by approximately 25% ($40 million) beginning in Fiscal Year 2023, and transfer these additional funds to the Flood Resilience Trust, to be used for projects with the statutorily required transportation nexus;
4) For Bond Program projects with the required transportation nexus, authorize the Budget Management Department (BMD) to substitute mobility funds from the Flood Resilience Trust for programmed flood bond capacity, with the freed-up bond capacity returned to the Trust;
5) Authorize the Flood Control District (the District) to expand the Prioritization Framework adopted by Commissioners Court to include all watershed-specific Bond Program projects; and
6) Use the expanded Prioritization Framework to allocate funds from the Flood Resilience Trust to Bond Program projects which need funding to avoid delays and reach completion.

These recommendations align with the directive from Commissioners Court on March 9, 2021 to develop a plan for funding and equitable development of the 2018 Bond Program. Though the recommendations do not eliminate the funding shortfall, they allow all Bond Projects to proceed on schedule, despite the critical lack of funding commitments from our federal, state, and local partners. Along with a discussion of other funding options, ongoing advocacy work and additional partner funding opportunities, the District will include these recommendations in its presentation to Commissioners Court on June 29, 2021.

Background and Current Status

Developed in 2018, the financial framework for the $5 billion of projects in the Bond Program was predicated on federal, state, and local partner funds of approximately $2.5 billion to match the County's $2.5 billion in voter-authorized bonds. It was identified on March 9th that the County had a current partner funding shortfall of approximately $1.3 billion to complete all projects associated with the Bond Program, and the District was directed at that time to work with BMD to develop a plan to address the identified partner

funding shortfall for the Bond Program, while maintaining an equitable approach to the expenditure of funds. Substantial amounts of anticipated partner funding remain unrealized, although the County continues discussions with the Texas General Land Office (GLO) for the potential to secure at least $750 million of Hurricane Harvey Community Development Block Grant for Mitigation (CDBG-MIT) Funds.

Harris County Flood Resilience Trust

The District was created in 1937 by the 45th State Legislature, and its enabling legislation identified partnering with the federal government for delivery of flood control in the County as a primary component of its overall mission. This federal-local partnership remains crucial today for Harris County to improve flood resilience. Historically, the partnership has delivered meaningful projects in our region, such as the Addicks and Barker Reservoirs. However, partner funding is inherently uncertain, and the timeline is often out of the County's control. To deliver on its promise of equitable development of flood control for all residents, the County requires greater certainty for the Bond Program and for future, critical flood control projects.

BMD recommends that the County create the Harris County Flood Resilience Trust, to be comprised of Harris County-controlled funds dedicated to long-term flood control needs. The Flood Resilience Trust will provide greater certainty, stability, and security for flood risk reduction projects. The Trust can provide backstop funding for Bond Program projects to compensate for partner funding shortfalls or cost overruns. Over time, the Trust can also fund future flood risk reduction projects beyond those in the Bond Program. Importantly, the Trust will allow for greater control for the County to set its own flood control priorities rather than be beholden to the priorities of other funders. BMD recommends that the $315 million in funding that was previously authorized by Commissioners Court in April 2021 for application towards to the Bond Program shortfall, $166 million in expected reimbursements to the District, and $8 million in existing Bond contingency funding be allocated to the Flood Resilience Trust.

Increased Annual Mobility Transfer

Investments in flood risk reduction projects have not kept pace with road infrastructure investment in prior decades. Since the early 1980s, Harris County has invested almost $5 billion in new toll road construction compared to roughly $2.5 billion in flood control projects. As the County has developed, our flooding situation has worsened, and the County now requires greater and more certain resources to fund its priorities for flood control. BMD recommends that the annual Mobility Fund Transfer be increased by $40 million (approximately 25%) beginning in fiscal year 2023. This increased Mobility Fund Transfer was developed with help from HCTRA staff and financial advisors and does not reduce current mobility funding distributed annually to the Precincts. Annual mobility transfers will be subject to adequate HCTRA liquidity, which current financial models validate. Initiating this increased mobility transfer helps position the Flood Resilience Trust for future years and generations.

Because mobility funds must be used for projects with a transportation nexus, BMD is requesting authorization to substitute mobility funds from the Flood Resilience Trust for programmed capacity from the 2018 flood bond authorization, with the freed-up bond capacity returned to the Trust. This substitution is consistent with the action taken by Commissioners Court in April 2021 with respect to the bond capacity previously programmed for the Subdivision Drainage Program.

Expansion of the Prioritization Framework

The District's equity-based Prioritization Framework was established in 2019, but was limited in its original scope and application. Its original scope covered only those projects that had not yet been initiated, and its original application was to determine the order of starting design for projects, not the start of construction or funding amount. BMD recommends that Commissioners Court expand the Prioritization Framework to apply to all watershed-specific (non-Subdivision Drainage Program or non-countywide) Bond Program projects. BMD further recommends that the Prioritization Framework govern the use of Flood Resilience Trust funding.

To receive funds from the Flood Resilience Trust, a project should have a current need for funds to avoid delays and reach completion. But prior to the receipt of any Flood Resilience Trust funding for a Bond Program project, the Flood Resilience Trust would need to have enough funding, incorporating any legal restrictions, to fully fund all projects with higher rankings in the Prioritization Framework. This approach assures that there will be sufficient funding for the County to complete the projects ranking highest in the Prioritization Framework.

Conclusion

The 2018 Flood Bond Program is the first attempt in generations to deliver meaningful and necessary flood control projects on a countywide basis. It is a financially large investment ($5 billion) in critical infrastructure for Harris County, and it promises equitable prioritization and development of flood control projects utilizing a comprehensive "worst-first" approach. The recommendations in this court letter seek to assure that the County can keep its promises from the 2018 Flood Bond Program and do its part to protect its residents. But the need for federal, state and local partners remains. The problem of flood control in Harris County is vast and requires all levels of government to do their part as well.