



Guide to Expanding Mitigation

MAKING THE CONNECTION TO MUNICIPAL FINANCING



FEMA



Photo: A morning shot of Marcellus, N.Y.

Cover Photo: People analyzing graphs on desk in office



Photo: Two children hold hands and look at flooded homes

Disasters are difficult to predict. When they strike, their impacts can have long-term consequences for residents and the community. To reduce the impact of future disasters and improve the resiliency of your community, it is important to invest in mitigation. As you advance through the hazard mitigation planning process, exploring options that will reduce your community's risk it is critical to identify funding options for these efforts. Creating a funding strategy from multiple diverse sources will help to secure the funding necessary to keep your community safe from future disasters.

Your local financial professional, whether the business administrator or financial officer, can help you explore creative public and private funding sources, and consider these questions:

- Does the mitigation project fit into the current budget or can it be planned for a future cycle?
- Can the mitigation project be added to the Capital Improvement Plan?
- What else can be done to prioritize the project for funding?

This *Guide to Expanding Mitigation* explores how community officials can work with finance officials to support hazard mitigation planning, and how mitigation investments can align with community budgets and financial management priorities.



This *Guide to Expanding Mitigation* is part of a [series](#) highlighting innovative and emerging partnerships for mitigation.



Photo: Man discusses data with colleagues



Photo: November day in Hoboken, N.J.

PARTNERING FOR SUCCESS: WORKING WITH YOUR COMMUNITY'S FINANCE PROFESSIONALS

Collaboration and partnership with finance professionals is central to the mitigation planning process. They can help you identify funding sources to make hazard mitigation plans a reality. Together, you can explore various funding sources, including federal and state grants, state revolving loan programs, or bonds. Working closely with your local finance professionals offers many benefits. Involving them early in your planning process can help to ensure your community has a solid funding strategy to implement the hazard mitigation projects.

Local financial professionals often have diverse roles; they may oversee the community finance department and wear the hats of business administrator and/or financial officer:

- The **business administrator** reports to the governing body. Their responsibilities and functions vary by community. They may also serve as the municipal manager, chief of staff or top appointed staff person. A business administrator has awareness of local priorities, the history of decision making, constraints, and which departments and staff can make projects a success.
- A **financial officer** is often more specialized than a business administrator and primarily “keeps the books” for the community. Other responsibilities may include budget tracking, maintaining payroll records, balancing funds, and crafting reports to aid administrative decisions.



Federal mitigation grants yield high dividends. According to the [National Institute of Building Sciences 2019 Mitigation Saves Report](#), for every federal grant dollar spent in upfront mitigation costs, the public saves six dollars.

Your local finance professional's deep understanding and connection to the community's financial landscape can be a tremendous asset to mitigation projects. Their insight and connections can:

- Advise you and help to incorporate the mitigation project into longer term planning within the community budget or Capital Improvement Plan.
- Position you to pursue limited mitigation funding. Your case for enhancing community resilience will be stronger when the projects are built into the community budget or Capital Improvement Plan.
- Help you communicate with internal partners to share the value of preventative actions to keep the community safe, maintain operations, buttress revenues, and reduce future losses.

ALIGNING RESILIENCY AND RESOURCES IN HOBOKEN, NJ

The city of Hoboken aligned its business administration and resiliency priorities so that the budget reflects mitigation actions the city must take to sustain the community. After Hurricane Sandy in 2012, the city started to direct financial resources toward mitigation goals. Hoboken tracks all capital improvement projects through robust spreadsheets and maps so that the Capital Improvement Plan can be codified and analyzed over time. Hoboken allocates local dollars for higher frequency, low consequence events like nuisance flooding, and federal dollars for lower frequency, high consequence events like hurricanes. The city uses smaller, highly visible projects to nurture community buy-in then looks to state and federal partners to take on higher cost projects. This is important for demonstrating the efficacy of mitigation projects. The business administrator, chief resiliency officer, and mayor work together to ensure long-term investments support the long-term health—financial or otherwise—of the whole community.



Photo: Home elevated in Pequannock, N.J., following Hurricane Sandy

COMMUNITY PLANNING AND ACCOUNTING METHODS

Community budgets represent community priorities. The budgeting process is one of the most important tasks of municipal government. The local governing body passes an annual budget that includes revenues and expenses and establishes the amount of funding to programs and projects. The budget contents are analyzed and tracked.

Capital Improvement Plans itemize projects when (because of immediate priorities) the scale, method of funding, lead time for design and permitting, and other considerations will not be included in the current annual budget. For projects that have been identified for future years, the Capital Improvement Plan is a document that provides details, funding, and financing options.

The mitigation professional has a role in pitching mitigation projects during the development of the Capital Improvement Plan. In this plan development process, the mitigation professional should meet with the financial professional to flesh out the project. This will help establish the timing for the project since the financial professional knows the most about the community's revenues, expenses, and debt obligations. As a team, you will identify the likely funding sources, including those from grants.

CORE FINANCE PLANNING QUESTIONS

Financial professionals can help you think through several questions:

- How will the community pay for or meet the match requirement? Can the community pursue a bond? Are there alternative sources of funding such as open space or stormwater management utilities?
- Can the project meet multiple community needs and provide co-benefits? If so, are there partner agencies that can also identify funding?
- What is the best timing for the project? Can the project be accomplished in the short term, or will it have to wait for more urgent priorities? What is the period of funding need?
- Are there other financial stressors that may prevent mitigation progress? When unexpected events occur, is there an option to revisit priorities in the Capital Improvement Plan?
- Which staff can administer the project? Do you need to hire a contractor?
- What information do you need to complete the project scope? What are the requirements to bid the project (e.g., prevailing wage)?
- If you plan to remove buildings from high-hazard areas, how will this affect employment and your tax base? Will lost revenues hurt the community's credit rating? Do public safety and community resiliency take precedence over lost revenue?

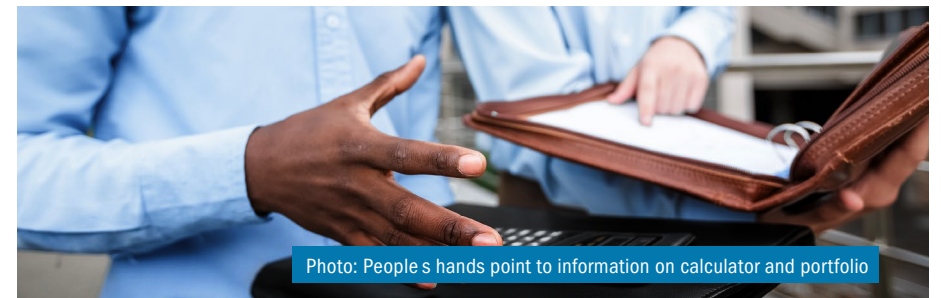


Photo: People's hands point to information on calculator and portfolio

COMMONWEALTH OF MASSACHUSETTS INTEGRATES MITIGATION AND FUNDING

In 2018, the Commonwealth of Massachusetts identified 130 actions in its Integrated State Hazard Mitigation and Climate Adaptation Plan. With the governor's support, the state hazard mitigation officer worked with the director of the Office of the Capital Budget in classifying funding sources for each action with cross-references to the five-year capital plan. The identification of financing gaps resulted in the commonwealth bonding for specific actions. From now on, Massachusetts will score the efficacy of the projects on the risk protection gained to influence future resiliency decisions across agencies.



Photo: Construction engineers discussing blueprints

FUNDING MECHANISMS

Hazard mitigation projects can be funded by various sources. Collaborating with a finance professional can help with identifying innovative ways to blend funding sources:

- **Federal/state/non-governmental organization grants** – Grants are a source of funding that typically require an application with detailed support. Federal, state and non-governmental organizations issue grants for pre- and post-disaster periods. The grant may not cover the full expense of the project, and your community may be responsible for matching the grant amount. Your finance professional will help you review the terms of the grant and determine the most appropriate method to match the grant.
- **State revolving loan programs** – Revolving loan programs have been successful nationwide in addressing infrastructure demands. In some cases, federal funding has been allocated to states to establish a low or no-interest loan program, or states have issued debt to finance state programs. Unlike grants, the loan must be repaid, subject to certain relief in interest, so that the funding goes back into the program for reuse.
- **General obligation bonds** – This is debt issued by local governments that raise money for projects. General obligation bonds are commonly used and familiar to your financial professional. Communities typically apply property, sales, and/or income taxes to pay investors principal and interest. Caution should be observed because the bond is backed by the “full faith and credit of the municipality,” and this means if the budget is incapable of servicing the debt, the government would have to increase taxes to guarantee the bond is paid.
- **Other sources of funding** – Additional sources of funding, such as fees, assessments, other bonding instruments, and private investment, may not be identified in the above.

MITIGATION FUNDING AT EVERY LEVEL IN GRANITE FALLS, MINNESOTA

To implement its mitigation strategy, the city of Granite Falls, Minnesota, identified 10 local, state and federal sources for funding mitigation projects across the city. Granite Falls used local tax increment financing and private investment for some mitigation projects. From state and federal sources, it received nearly \$38 million over two decades. The city used those funds to reduce risk to residential, commercial, and governmental structures, to reconstruct a flood wall, to buy and demolish at-risk structures, and more.

RESOURCES

Guides to Expanding Mitigation

<https://www.fema.gov/mitigation-risk-reduction>

Link to all available Guides to Expanding Mitigation.

For the Mitigation Professional

Land Use Tool: Capital Improvement Plan

<https://planningforhazards.com/capital-improvement-plan>

Learn how to integrate hazard mitigation into a capital improvement plan.

Bonding

<http://news.morningstar.com/classroom2/course.asp?docId=5384&page=1>

Learn about general obligation bonds.

Funding Opportunities

<https://toolkit.climate.gov/content/funding-opportunities>

Learn about a range of government and private financing for climate adaptation and resilience projects.

For the Financial Professional

FEMA Hazard Mitigation Planning

<https://www.fema.gov/emergency-managers/risk-management/hazard-mitigation-planning>

Review standards and guidance for the planning process.

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ENGAGE WITH US

Are you a state, local, tribal or territorial official interested in making the connection between finance and hazard mitigation? Are you a finance professional interested in connecting with local officials to reduce risk from hazards? Would you like guidance on mitigation funding sources or a copy of FEMA's Mitigation Resource Guide? Please contact us at FEMA-ExpandingMitigation@fema.dhs.gov.



Photo: Young man makes a budget at home

