

DISASTER RECOVERY

Adjusters International Disaster Recovery Consulting — FEMA recovery issues for decision-makers and leaders **TODAY**

Categorizing Losses



EDITOR'S NOTE

This issue of Disaster Recovery Today focuses on categorizing losses using the required FEMA categories. This step is the third in a nine-step process identified by Adjusters International to respond to a declared disaster.

Following a disaster, categorizing losses must be accurately performed to avoid future conflicts with FEMA. This issue breaks down the categories and describes how each is to be used.

Your comments, suggestions and requests for back issues are always welcome.

—Sheila E. Salvatore, Editor

Using the Required FEMA Categories to Properly Handle Emergencies

By Jeff Shaw

In the previous issue of *Disaster Recovery Today*, the focus was on assessing and documenting losses caused by a disaster. If the event is of such magnitude that federal aid is declared, the losses will need to then be categorized by FEMA categories A through G. These categories are separated into two sections: Emergency Work

(Categories A & B) and Permanent Work (Categories C through G).

The primary difference between emergency and permanent work involves the reimbursement for an agency's employees (force account) for eligible disaster-related work. FEMA only reimburses for overtime under categories A & B¹,

¹ This is for force account labor only. It does not affect contract costs. Additionally, in some instances such as when seasonal employees are used for disaster-related work, both straight and overtime may be reimbursable.



whereas the remaining categories are reimbursed for both straight time and overtime.

The focus of this issue is to define² and discuss each FEMA category in an effort to provide a snapshot of how FEMA views an applicant's recovery. It is important to keep these categories in mind, as oftentimes it will take several weeks—sometimes months—before an event is declared as eligible and FEMA is actually on site.

Category A – Debris Removal

Public Interest Determination by FEMA

- Eliminate immediate threats to life, public health and safety; or
- Eliminate immediate threats of significant damage to improved public or private property; or
- Ensure economic recovery of the affected community to the benefit of the community-at-large.

Private Property Debris Removal

Debris removal from private property is the responsibility of the individual property owner. When it is in the public interest for an eligible applicant to remove debris, the following criteria exist:

- On urban, suburban and rural property, including large lots.
- Clearance of living, recreational and working areas is eligible, except areas used for crops and livestock, or unused areas.
- No assistance will be provided to individuals



or private organizations for removing debris from their own property except for eligible private non-profit applicants.

- Right of Entry Agreement must be obtained to indemnify the federal government against any claim arising from such removal.

Debris removal is typically a very controversial issue when dealing with FEMA. There are always concerns over where the debris came from, whether it was weighed properly, whether the contractor was procured in accordance with guidelines, etc.

Unfortunately, many decisions are made prior to FEMA's arrival, so it becomes imperative to document and photo-journal all activities. An applicant should attempt to do the following, until further direction is provided by the state and FEMA:

- Photograph areas of heavy debris that is to be removed and processed.

- Segregate activities on federal aid eligible roadways.
- Contract for debris removal on either a per ton or cubic yard basis.
- Attempt, where possible, to limit time and expense contracts to 70 hours.
- Use force account personnel or contractors to monitor the debris removal activities.
- Track force account hours and equipment by documenting who, what, where, why. Also describe equipment and for how long it was used.
- Gain a right of entry (hold harmless) agreement before removing debris from private property.
- Read and become familiar with FEMA's Debris Management Guide at www.fema.gov/government/grant/pa/demagde.shtm.

It is not uncommon for FEMA to place "debris teams" in the field to monitor how an applicant and

² Definitions in blue are provided from FEMA's Applicant Handbook which can be found at www.fema.gov/government/grant/pa/apphandbk.shtm



their representatives (contractors) are dealing with debris. Often these teams will monitor and generate reports that are then submitted to the state and FEMA. It is imperative that an applicant receives copies of all such reports in case determinations made in the field are in error. In larger scale disasters, the state and FEMA may also utilize the expertise of the United States Army Corps of Engineers (USACE) for planning, monitoring and providing guidance.

Category B - Emergency Protective Measures

General

Measures to save lives, to protect public health and safety, and to protect improved property, are eligible. In order to be eligible, emergency protective measures for property must eliminate or lessen immediate threats of significant damage to improved public or private property through measures that are cost-effective.

FEMA may require a certification by local, state and/or federal officials that a threat exists, including identification and evaluation of the threat and recommendations of the Emergency Work necessary to cope with the threat.

Items that fall into category B include:

- Search and rescue
- Emergency medical care
- Emergency mass care and shelter
- Security in the disaster area
- Provision of food, water, ice and other essential needs at central distribution points for use by the local citizens

Many decisions are made prior to FEMA's arrival, so it becomes imperative to document and photo-journal all activities.

- Provision of temporary facilities for essential community services
- Activation of a state or local emergency operations center
- Demolition and removal of damaged public or private buildings and structures that pose an immediate threat to the safety of the general public
- Removal of health and safety hazards
- Emergency protective measures to protect lives or improve property
- Emergency measures to prevent further damage to the facility
- Restoration of access
- Emergency communications
- Emergency public transportation
- Building safety inspections

When considering category B, it is important to not forget the activities performed in preparing for a disaster. In the event of a hurricane, where an agency may have three to five days notice, eligible costs would typically start with the activation of the Emergency Operations Center (EOC) and the evacuation itself. Additionally, costs incurred for boarding windows and sandbagging prior to an event would be eligible.

Historically category B is controversial, since the terms *immediate threat*, *cost effective* and *health and safety* are somewhat

subjective. Every agency views threats and responds to them differently, whereas FEMA Project Officers typically define threats as spelled out in their written policies.

In both of the above categories of work, we encourage our clients to do what has to be done to get back to normal. This serves two purposes: it allows you to get back to day-to-day operations as quickly as possible; and it demonstrates to FEMA that you are not taking action solely because they are providing aid.

Category C - Road Systems

Repairs and Replacements

The damage must be directly related to the disaster. It cannot be a pre-existing condition nor caused by an event after the official period of incidence. Repairs to structures (bridges, etc.) may be made when the estimated repair cost is less than the estimated replacement cost, unless the structure is damaged greater than 50%. If a structure is damaged to the extent that repairs exceed 50% of the replacement costs, funding may be provided to replace the structure. The applicant also may choose to make repairs, however, the funding provided will be limited to the cost of replacement.

Road Repairs

On gravel roads, the base need not be damaged to be eligible for major gravel replacement. Loss of gravel



must be evident. Potholes and rutted surfaces must be shown to be a result of the disaster event.

Paving

Loss of paved surface is eligible. Alligatoring surface is generally a sign of normal deterioration and is not eligible, unless shown to be exclusively disaster-related.

Standards

Bridge and road standards that have been formally adopted and are in practice, or adopted and placed in effect prior to the date of the disaster declaration, are eligible. The standards must apply to work accomplished using all sources of funds, and not limited to work receiving state and/or federal aid. A copy of standards and council meeting minutes approving the standards should be maintained in the permanent applicant file.

On-System Facilities

Facilities funded by other federal agencies, such as the Federal

Highway Administration (FHWA), are not eligible for permanent repair. Debris removal and emergency measures are eligible on federal aid roads except where the Emergency Relief (ER) Program of the FHWA is activated. For further particulars, see the *Public Assistance Guide*, FEMA 322.

Scheduled Replacement

Facilities are not eligible if scheduled for replacement within the next 12 months using federal funds.

As stated above, permanent repairs are not eligible on FHWA funded roadways. That being said, an applicant may still do what is necessary to make the roadways safe and passable, however, the FHWA requires prior approval before permanent repairs. For the FHWA's ER Program to be activated, a state must have amassed extraordinary costs per the following: *"Although there is no nationwide definitive monetary break point between what is considered*

*routine and extraordinary repair expenses the FHWA has determined that eligible ER repair activities in a state in the range of \$700,000 (Federal share) or more are usually significant enough to justify approval of ER funds."*³

If the ER Program is activated, the applicant will need to segregate all activities, including emergency work, between federal aid and non-federal aid eligible roads. Since it may take several months for this program to be activated in a major event (hurricane, severe flooding, etc.), applicants should begin this segregation immediately.

More information on the FHWA's ER Program can be found at www.fhwa.dot.gov

Category D - Water Control Facilities

Levees and Dams

If the levee or dam meets the definition of a flood control work and thus falls within the authority of the U.S. Army Corps of Engineers (USACE) or Natural Resources Conservation Service (NRCS), it is not eligible for permanent restoration.

Drainage Channels

The USACE or NRCS may be involved in some flood channels; in these cases, local drainage channels are not eligible. Man-made channels must show evidence of routine maintenance and will be restored to pre-flood hydraulic capacity. Appropriate documentation, including construction and maintenance records for the man-made channels should be placed in the permanent applicant file. The documentation should include records

³ Emergency Relief Manual (Federal Aid Highways) Interim Update, August 2003



demonstrating the pre-disaster condition of the channels.

Natural Streams

Debris removal from natural streams is not normally eligible for assistance. Only debris that causes a threat to lives, public health and safety, or damage to improved property from a 5-year flood event, is eligible. Work to protect improved property must have a favorable ratio of benefits to costs. Any work in natural streams must also be closely reviewed and monitored to minimize undesirable environmental effects.

Seeding and Sodding

Seeding, grass, and sod will be eligible only when necessary to stabilize slopes and minimize sediment runoff.

Debris

Disaster-caused debris in catch basins and channels is eligible for removal when the pre-existing condition can be established.

FEMA is particularly interested in category D, as flooding is one of the costliest forms of disasters in the United States. Oftentimes, however, they will deny reimbursement for clearing and repairing those facilities that an applicant does not keep maintained. A good example of this would be a drainage ditch that is laden with storm debris. Applicants would like FEMA to provide funds to clear all of the debris out, however, if the ditch is not routinely maintained, much of the debris can be pre-event, and due to negligence. If the applicant can show that they normally keep the ditch clean through a normal maintenance schedule, then they typically find the debris eligible.

When approaching category D work, as with damage to federal-aid roadways, jurisdiction for repairs may reside with other agencies such as the US Army Corps of Engineers (USACE) or the Natural Resource Conservation Service (NRCS). More information on these agencies can be found at:

USACE

www.usace.army.mil

NRCS

<http://policy.nrcs.usda.gov>

Category E - Buildings and Equipment

Restoration

Buildings are to be restored to pre-disaster design capacity in accordance with present codes and standards.

Use and Occupancy

The building must have been in active use prior to the disaster. If only part of the building was occupied at the time of the disaster, or if the building was being used for a less demanding function than its original purpose, then replacement will be made at the reduced size, or restoration will be

limited to that required to resume the immediate pre-disaster use.

Extensive Damage

If repairs to a facility would cost 50% or more of the cost of replacing the facility to its pre-disaster design, then the facility is eligible for replacement. This is known as the "50% Rule," and is discussed in detail in the *Public Assistance Guide*, FEMA 322.

Insurance

Check on insurance presently in force. Insurance coverage pays first. Uninsured losses are eligible. If repair costs exceed \$5,000, a general hazard insurance commitment will be required equal to the amount of eligible damages. Repair costs for flood damages occurring to buildings and/or contents within the 100-year flood zone will be reduced by the amount that would have been available from a standard NFIP flood policy whether or not the facility was actually insured.

Equipment

Office equipment and furniture should be replaced with used or surplus, if available. Repair if feasible.





Supplies

Consumable supplies will be replaced to pre-disaster quantities.

Vehicles

Special equipment, such as two-way radios, is eligible. Blue book prices should be used and salvage taken. Check for comprehensive insurance. If repair costs exceed \$5,000, an insurance commitment will be required equal to the amount of damages.

Grounds

Grounds around buildings may be included with building structure if it is to be handled as a single project, except trees and other plantings, which are not eligible.

Cleaning

For buildings with light damage, cleaning and painting is eligible.

As discussed in a previous edition of *Disaster Recovery Today*, FEMA and applicants often disagree on building repairs, codes and standards, and equipment claims. The following should be kept in mind when dealing with category E losses:

- While it is appropriate for FEMA to replace a piece of equipment with “like, kind and quality,” including a used item, such an item may not be readily available, thus a new item may have to be purchased.
- FEMA uses the Cost Estimating Format (CEF) to determine repair costs for large projects. It is important for applicants to work with FEMA in determining the correct cost factors such as an extraordinary demand caused by the event and

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the appropriate costs for materials, overhead and profit, etc.

- If an applicant is claiming an upgrade based on local codes or standards, they must be prepared to demonstrate that the standard existed prior to the event and that it is enforceable.
- Locate and duplicate original building drawings/ plans or major repair plans for submission to FEMA.
- Photographs before, during and after are extremely valuable.

Category F – Utilities

Electrical

Restore to pre-disaster design in the most economical manner. Extra pole structures are sometimes necessary to restore the function when erosion has destroyed stream banks and ground clearance has to be maintained over longer distances.

Sewer

Visual evidence of ground subsidence indicating infiltration into the pipe must be present.

- Limited TV inspection is eligible when damage is apparent. Use of TV inspection to search

for problems is not eligible.

- Cleaning of disaster-related debris from sewer lines is eligible only when necessary to restore adequate functioning of the system in specific reaches when the pre-existing condition can be established.

Revenues

Loss of revenue is not eligible. Added costs or charges for providing regular utility services are not eligible.

When dealing with utilities, an applicant generally has two sets of costs: what was done immediately to restore service (category B) and what was done as a permanent solution (category F). In some cases, however, the immediate fix is the permanent solution.

Historically, if the activity is conducted very soon after the event, FEMA may conclude that it is an emergency measure. If an applicant is using their own staff for the work, then only overtime is eligible. It is imperative that applicants carefully articulate what was done and whether more work is required before a permanent solution is reached.



Category G - Parks, Recreational, and Other

Grass

Grass, seeding and sod are eligible only when necessary to stabilize slopes and minimize sediment runoff.

Trees

Trees and other plantings are not eligible.

Damage Estimates

All structures and damage sites within a park may be included as a single project if repair or contract is being handled that way. They can be claimed separately, if desired.

Beaches

To be eligible, a beach must have been improved to a designed profile and regularly maintained prior to the disaster. Appropriate documentation should be placed in the permanent applicant file to show that the beaches were designed, constructed and routinely maintained. The documentation should include

records showing when beach sand was last replaced and at what depths. Permanent restoration of the sand on natural beaches is not eligible.

Historically, category G has been the “catch-all” category for permanent repair issues not addressed in the other categories. Repairs to such items as applicant-owned ball fields, golf courses, playgrounds, etc., fall within category G. What often becomes confusing is when a park has a damaged facility within it such as public restrooms or picnic shelters. These damages can be addressed in either category E or G, depending on the decision of the Project Officer.

The seven categories listed above were developed to implement the Public Assistance process. In theory, they correspond with existing departmental systems normally part of most applicants’ organization structure, e.g.:

Category A - Solid Waste/
Public Works

Category B - Public Safety/
Police/Fire

Category C - DOT/Public Works

Category D - Public Works

Category E - Facilities/
Public Works/
Risk Management

Category F - Utilities/
Public Works

Category G - Parks and Recreation

In most cases when an event occurs, an agency does what it has to do to achieve a safe environment, to continue government services and to restore normalcy as quickly as possible. As stated earlier, much of this is accomplished prior to FEMA’s arrival. Knowledge of how FEMA categorizes costs is not only crucial to the emergency manager but all prospective members of the recovery team.

In the next issue of *Disaster Recovery Today*, we will look at the guiding factors of eligibility and provide examples of how the wording and structure of a claim to FEMA is crucial to receiving funding.



Top Ten Natural Disasters

Ranked by FEMA Relief Costs

Event	Year	FEMA Funding
Hurricane Katrina <i>(AL, LA, MS)</i>	2005	\$7.2 billion*
Northridge Earthquake <i>(CA)</i>	1994	\$6.961 billion
Hurricane Georges <i>(AL, FL, LA, MS, PR, VI)</i>	1998	\$2.251 billion
Hurricane Ivan <i>(AL, FL, GA, LA, MS, NC, NJ, NY, PA, TN, WVA)</i>	2004	\$1.947 billion**
Hurricane Andrew <i>(FL, LA)</i>	1992	\$1.813 billion
Hurricane Charley <i>(FL, SC)</i>	2004	\$1.559 billion**
Hurricane Frances <i>(FL, GA, NC, NY, OH, PA, SC)</i>	2004	\$1.425 billion**
Hurricane Jeanne <i>(DE, FL, PR, VI, VA)</i>	2004	\$1.407 billion**
Tropical Storm Allison <i>(FL, LA, MS, PA, TX)</i>	2001	\$1.387 billion
Hurricane Hugo <i>(NC, SC, PR, VI)</i>	1989	\$1.307 billion



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*Amount obligated from the President's Disaster Relief Fund for **FEMA's assistance programs, hazard mitigation grants, federal mission assignments, contractual services and administrative costs as of March 31, 2006**. Figures do not include funding provided by other participating federal agencies, such as the disaster loan programs of the Small Business Administration and the Agriculture Department's Farm Service Agency. Note: Funding amounts are stated in nominal dollars, unadjusted for inflation.

Amount obligated from the President's Disaster Relief Fund for **FEMA's assistance programs, hazard mitigation grants, federal mission assignments, contractual services and administrative costs as of May 31, 2005. Figures do not include funding provided by other participating federal agencies, such as the disaster loan programs of the Small Business Administration and the Agriculture Department's Farm Service Agency. Note: Funding amounts are stated in nominal dollars, unadjusted for inflation.



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