

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
EMERGENCY MANAGEMENT BC
BRIEFING NOTE FOR INFORMATION**

TO: The Honourable Mike Farnworth, Minister, Public Safety and Solicitor General

ISSUE: Overview of Federal Disaster Financial Assistance Arrangements

BACKGROUND:

- Disaster Financial Assistance Arrangements (DFAA) is a federal government program designed to assist provinces with the costs of responding and recovering from a large-scale natural disaster which would otherwise place a significant burden on the provincial economy.
- The federal *Emergency Management Act* requires that an Order-in-Council (OIC) be issued declaring an emergency to be of concern to the Government of Canada to authorize the provision of financial assistance to a province through DFAA.

DISCUSSION:

- The DFAA formula provides for cost-sharing for B.C. once costs exceed \$17M. The cost sharing thresholds are population based as detailed below.

Table 1: BC DFAA Cost Sharing as of January 1, 2021

Expenditure	Cost Share	
	BC	Canada
First \$17M	100%	0%
Between \$17M and \$35M	50%	50%
Between \$35M and \$85M	25%	75%
Above \$85M	10%	90%

- The DFAA process requires:
 - A formal provincial request for federal assistance, with appropriate details defining the period of the disaster (including beginning and end dates), the affected geographical area and a preliminary estimate of response and recovery costs.
 - Once the request is accepted, a federal OIC is developed, informed by consultation between the province and Canada, confirming federal agreement with the event details. This OIC also establishes the 5-year limit for provincial submission of the final claim.

- Once DFAA eligibility is confirmed through an OIC there are provisions to request payments when supported by the appropriate documentation including:
 - An **advance payment** (during the initial 12 months after the event) of up to 50% of the projected federal cost share. The quantum of an advance payment is informed by the response cost incurred and the fidelity of cost estimates for planned recovery projects.
 - **Interim payments** for up to an additional 10%, to a maximum of 60%, of the projected federal cost share. Interim payment can only be requested once per year.
- Following provincial submission of the final audited claim, the federal auditors review the claim for compliance with DFAA guidelines to determine the **final payment**.
- Provincial governments are responsible for the delivery of disaster financial assistance within their jurisdiction as they see fit. The DFAA guidelines only define what costs are eligible for federal cost sharing.
- Examples of eligible DFAA expenses include:
 - Incremental provincial and local government emergency response costs including evacuation operations (transportation, emergency food, shelter, and clothing), and measures taken to reduce impacts on life and property.
 - Provincial and local government recovery costs including:
 - Cost of damage inspection, appraisal and clean up.
 - Repairs to public buildings and equipment.
 - Repairs to public infrastructure such as building, roads, culvert, and bridges.
 - Removal of damaged structures which are a threat to public safety.
 - Restoration and repairs to principal residences and the replacement of essential personal goods.
 - Restoration of small business and farmsteads including buildings and equipment.
- Examples of expenses not eligible for cost-sharing include:
 - Insurable damages.
 - Costs covered in whole or in part by another government program (i.e. production/crop insurance).
 - Assistance to large businesses and Crown corporations.
 - Loss of income or economic recovery.

- DFAA claims are managed by Emergency Management BC (EMBC) on behalf of the Province. EMBC works closely with impacted ministries to ensure cost sharing is maximized.
- Incremental ministry response costs and costs associated with the recovery of provincial infrastructure from DFAA eligible events have historically been charged against the *Emergency Program Act* statutory spending authority. However, this is not required to secure federal cost sharing.
- Local government response costs reimbursement and provincial Disaster Financial Assistance program costs are also funded through the *Emergency Program Act*.
- The Province currently has 5 approved DFAA events where recovery work is ongoing including: 2016 June Flooding, 2017 Freshet, 2017 Wildfire, 2018 Freshet, and 2018 Wildfires. The total response and recovery costs associated with these events are forecast at over \$785 million.
- The Province is currently working with Public Safety Canada staff to finalize the event descriptions for the three recent B.C. natural disasters detailed below to allow for the related OICs to be finalized to formalize cost sharing.

Table 2: Pending DFAA Events

Event	Projected DFAA Eligible Cost	Advance Payment Requested
2020 Cariboo Landslides	\$995 million	No
2021 Wildfires	\$900 million*	\$100 million
2021 Atmospheric River Storm	To be determined*	Yes – Quantum to be determined based on cost estimates.

- The Province requested advance payments for two of these events in the associated DFAA request letters. EMBC will work closely with the Ministry of Finance to ensure the timing of payments aligns with fiscal plan objectives.
- An advance was not sought in the Cariboo Landslide DFAA request letter as it was unclear whether the event would be eligible under the program guidelines however EMBC plans to pursue an advance once the OIC is finalized.

INDIGENOUS PEOPLES CONSIDERATIONS:

- Costs associated with the disaster response and recovery on First Nations reserve lands are fully reimbursed by Canada.

OTHER MINISTRIES IMPACTED/CONSULTED:

- Not applicable.

PREPARED BY:

Alex Chandler,
ADM and EFO, EMBC

REVIEWED BY:

	Initials	Date
DM		
ADM/EFO	AC	12-6-2021

Attachment(s)

N/A

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
EMERGENCY MANAGEMENT BC
BRIEFING NOTE FOR INFORMATION**

TO: Mike Farnworth, Minister, Public Safety & Solicitor General

ISSUE: Exercise Coastal Response 2022 (CR22) Postponement

BACKGROUND:

- The 2014 OAG Report on Catastrophic Earthquake Preparedness recommended that EMBC conduct regular catastrophic earthquake exercises with partners.
- The Coastal Response exercise series commenced in 2016 to provide an opportunity for EMBC coordinate an integrated government-wide response to a catastrophic earthquake and for our partners to exercise and validate catastrophic earthquake response actions.
- The original CR22 project scope included a tabletop exercise (TTX) in 2020, an emergency operations centre (EOC) exercise in 2021, and a full-scale exercise in February 2022.
- Due to fiscal considerations, in 2019 the exercise scope was reduced to two TTXs (February 2020 and February 2021) and an EOC exercise (February 1-4, 2022).
- CR22 objectives include:
 - Practice and validate provincial logistics concept of support with a focus on medical supply and fuel supply management;
 - Identify, develop, and test government/business continuity and succession planning at all levels;
 - Conduct damage assessment, including a review of critical infrastructure priorities;
 - Conduct joint communications and engagement with a focus on consistency of public information;
 - Develop/practice mass care response; and
 - Strategic decision making (added in Spring 2020 following observations during COVID-19 pandemic response).

DISCUSSION

- In November 2021, Federal, Provincial, First Nations, local authority, and critical infrastructure emergency management partners informed EMBC that the COVID-19 pandemic, 2021 wildfire season, and recent atmospheric river events have demanded the full attention of CR22 participants. As a result, exercise partners asked EMBC to consider delaying CR22 to allow participants time to recover and adequately prepare for the exercise.
- Many exercise participants indicated that their response to the atmospheric river events provided them with an opportunity to test, and, in some cases, develop “catastrophic” response objectives, particularly in the areas of critical infrastructure, transportation, and logistics/supply chain.
- It is recommended the Province collect and analyse response actions during the 2021 wildfires and atmospheric river events to incorporate applicable lessons into plans and procedures that can be validated during a future exercise.

- At the request of exercise participants, EMBC will delay the CR22 EOC exercise until February 7-9, 2023.
- In advance of the Exercise Coastal Response 2023 (CR23) dates, EMBC will undertake the following actions:
 - January and March 2022 – conduct Deputy Minister-level TTXs and drills to enhance catastrophic response preparedness;
 - 2022 - conduct a logistics/supply chain workshop with partners focused on the national and provincial staging areas concept; and
 - 2022 - conduct a critical infrastructure workshop with partners to strengthen readiness and response efforts.

INDIGENOUS PEOPLES CONSIDERATIONS:

- First Nations communities participating in the exercise were consulted and supported postponement of the exercise.

OTHER MINISTRIES IMPACTED:

- Ministry of Advanced Education & Skills Training
- Ministry of Agriculture, Food and Fisheries
- Ministry of Attorney General
- Ministry of Children & Family Development
- Ministry of Citizens' Services
- Ministry of Education
- Ministry of Energy, Mines and Low Carbon Innovation
- Ministry of Environment & Climate Change Strategy
- Ministry of Forests, Lands, Natural Resource Operations & Rural Development
- Ministry of Health
- Ministry of Indigenous Relations & Reconciliation
- Ministry of Jobs, Economic Recovery and Innovation
- Ministry of Municipal Affairs
- Ministry of Public Safety & Solicitor General – EMBC
- Ministry of Social Development & Poverty Reduction
- Ministry of Tourism, Arts, Culture and Sport
- Ministry of Transportation & Infrastructure
- Government Communications & Public Engagement
- Intergovernmental Relations Secretariat
- Public Service Agency

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	Initials	Date
DM	TR	
A/EL	KF	12/12/21
A/ED	KC	10/12/21
Pgm Dir/Mgr	JA	10/12/21

**MINISTRY OF PUBLIC SAFETY AND SOLICITOR GENERAL
EMERGENCY MANAGEMENT BC
BRIEFING NOTE FOR INFORMATION**

TO: The Honourable Mike Farnworth, Minister, Public Safety and Solicitor General
and Deputy Premier

ISSUE: Disaster Financial Assistance for 2021 Flooding

BACKGROUND:

- Disaster Financial Assistance (DFA) is a provincial program that may provide financial support to help homeowners, residential tenants, small business owners, farm owners, charities, and First Nations and local governments recover from the impacts of an emergency event.
- The authority to declare DFA for a given emergency event is delegated to the EMBC Assistant Deputy Minister responsible for recovery. In general, events that qualify for DFA are major events with significant losses that were unforeseen.
- The DFA program is not intended to provide support for insurable losses.

DISCUSSION:

- DFA is available for essential items only. It provides for the necessities of life, including help to repair and restore damaged homes (land damage is not eligible) and to re-establish or maintain the viability of small businesses and working farms. For local governments, it is available to help restore essential infrastructure.
- There is a 90-day deadline to apply for DFA once it is declared for an event. For the recent fall flooding between November 14 and December 2, 2021, which impacted areas in Vancouver Island, Northwest, Southwest, Central, and Southeast areas of the province (as outlined in Figure 1), the application deadline is March 3, 2022.

Figure 1: 2021 Flooding



- Private sector assistance may be provided to:
 - homeowners,
 - residential tenants,
 - small business owners,
 - farms owners, and
 - charitable organizations.
- Applicants may be eligible to apply for support in more than one category (i.e. home owner and farm owner).
- Strata corporations are eligible for DFA under the homeowner category.
- DFA can compensate 80 percent of eligible private sector claims, after the first \$1,000 and to a maximum claim of \$300,000.
- DFA is only for uninsurable losses and for losses where there is no other program offered by local, provincial, federal or international governments or agencies.
- Assistance for homeowners and tenants is limited to principal residences only. Seasonal or recreational properties are not eligible. Landlords must apply and qualify as small business owners.
- Assistance for farm and small business owners is limited to operations which are the owner's major source of income where gross sales are less than \$1 million and there are fewer than 50 employees.
- Table 1 outlines the assessment criteria used to determine eligibility for private-sector DFA applicants.

Table 1: Private Sector DFA Eligibility Assessment Process

Private Sector Applicant Type	Assessment Criteria
Homeowners	<p>Proof of home ownership (confirmed DFA staff through land title documents, BC Assessment, and homeowner grants information).</p> <p>Insurance coverage is based on declaration completed by insurance broker or applicant.</p>
Tenants	<p>Residential tenancy agreement.</p> <p>Insurance coverage based on declaration completed by insurance brokers or applicant.</p>
Farms and Small Businesses	<p>To confirm whether the business or farms is the major source of income and sales less than \$1 million the following financial documents are reviewed:</p> <ul style="list-style-type: none"> • Most recently filed T2 corporate tax return and supporting schedules • Most recently filed T1 tax return for all owners and supporting schedules • Most recently filed financial statement income statement and balance sheet used for income tax purposes • Proof of ownership (central securities register) showing all owners of farm or business. <p>Insurance coverage based on declaration completed by insurance broker or applicant.</p>

- Once it is confirmed the application meets the eligibility requirements a Field Evaluator is assigned to reach out to the applicant and set up an appointment for a site visit. Field Evaluators review all the damage and write up a report which is

reviewed by a Recovery Officers to confirm the compensation recommended is aligned with regulations to inform a payment approval.

- DFA claims typically take from 6 to 8 weeks to review and payout provided the application is complete. It is expected given the significant volume of applications related to 2021 flooding that processing times may take longer.
- To support timely review of applications, the DFA team has hired 4 new recovery officers and additional intake clerks.
- The Province is also increasing the capacity of the DFA information line to ensure it will be able to handle the volumes of inquiries expected from applicants.
- The Province has a standing contract for field evaluators who conduct site visits to review damages as part of the assessment process. This team is able to surge up to meet the increase in the volume of DFA applications.
- Existing field capacity includes:
 - 4 administrative staff (3 are located in resilience centres in Merritt, Princeton and Abbotsford).
 - 8 evaluators (2 in the field and 6 on standby for deployment as claims are reviewed)
 - There is also evaluator assistance on standby to assist with measurement and translation for Punjabi applicants in the Abbotsford/Sumas area.
 - 2 designated engineers are also supporting the review of local government and private sector applications.
- Private sector DFA payments are not advanced until eligibility has been confirmed. This can make it challenging for individuals to begin their recovery when they have limited financial resources.
- First Nation and local governments are eligible for DFA to support community recovery.
 - The program covers:
 - Rebuilding or replacing essential public infrastructure to the pre-disaster condition
 - Recovery measures to replace essential materials.
 - Some items not covered:
 - Works undertaken as preventative measures to guard against future damage
 - Enhancements from pre-event functionality, for example replacing a wooden walkway with cement
 - Eroded or damaged land except for essential access routes and the removal of debris.
- Similar to DFA for private sector applicants, financial assistance is provided for each accepted claim at 80 percent of the amount of total eligible damage, less the first \$1,000 however there is no maximum for local government claims.
- The Indigenous community or local government prepares a recovery plan that addresses repair or replacement of essential materials, structures, and public works.

The intent of the recovery plan is to provide enough detailed information to assess the eligible program costs and it includes engineering reports and detailed damage assessments.

- Indigenous and local government costs are reimbursed by the province as recovery projects are delivered.
- To support enhanced engagement with Indigenous communities and local governments as they work towards their own infrastructure repairs and support their communities in private-sector applications, the DFA team is hiring additional DFA coordinators.

Limitations of Existing Regulations

- For events, such as the 2021 flooding, where costs exceed the \$17 million threshold for cost-sharing under the federal Disaster Financial Assistance Arrangements (DFAA) program, support provided through DFA is cost-shared with Canada.
- The \$300K payout limit for claims may be insufficient to adequately support private sector applicants impacted by the recent flooding in addressing all costs related to the recovery from the event. It is anticipated support from Non-Governmental Organizations such as the Canadian Red Cross will be important resources in such instances.
- There are some areas where the provincial DFA regulation may not maximize the cost-sharing available through DFAA.
- With respect to agriculture, DFAA guidelines limit compensation to farms up to the full pre-event value. Further eligibility allows for support to be provided to farms with gross revenue of at least \$10K but not more than \$2 million and employing not more than the equivalent of 20 full-time employees.
- Additionally, the DFA program doesn't allow for support for incorporated farms. This may result in assistance being provided to small family farms and hobby farms with larger incorporated family farms being unable to secure support.
- It is not clear yet whether AgriRecovery (AR) which provides for 60 percent federal cost-sharing, or modifications to DFA regulation, or an event-specific program may be the appropriate vehicle to support the agricultural producers impacted by 2021 flooding.
- The DFA program does not provide coverage duplicating other government programs (i.e. production/crop insurance), provide assistance to large businesses and Crown corporations nor does it compensate for the loss of income or provide for economic recovery type measures.

Estimate of Damage / Insurance Availability

- It is early in the recovery and a lot is still unknown regarding the specific impacts and insurance coverages; work is underway to try to ascertain uninsured damages. Early indications are that damage, particularly uninsured damage, is significant, and may exceed DFA thresholds.

- IBC estimates the recent flooding caused \$450 million in insured damage.
- The IBC further estimates that only 20-30% of affected homeowners may have flood insurance and many may be underinsured because their policy has a limited maximum payout.
- The availability of flood insurance in Canada has grown since the insurance industry introduced it in 2015, it is mostly homes in low and medium-risk areas that have been insured against flood damages.
- According to the Insurance Bureau of Canada (IBC), while 95 percent of British Columbian homeowners are eligible for overland flood (OLF) insurance, it is not available in areas that have significant risks of floods and has often not been promoted to homeowners by insurance brokers.
- Homeowners in high-risk flood areas typically cannot access flood insurance because the high costs make it challenging for the industry to offer insurance at an affordable rate for homeowners.
- The precise areas where OLF insurance is not available are unclear, but it was likely either unavailable or not made available, in the areas most impacted by flooding. The communities of Merritt, Princeton, and Sumas Prairie fall into this higher risk category.
- For small businesses OLF insurance has been available for over a decade and is readily available from a majority of insurance providers. Details on exact coverage are unknown at this time.

INDIGENOUS PEOPLES CONSIDERATIONS:

- Costs associated with the disaster response and recovery on First Nations reserve lands are fully reimbursed by Canada which includes the rebuilding of on-reserve housing and infrastructure.

OTHER MINISTRIES IMPACTED/CONSULTED:

- Ministry of Finance

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	Initials	Date
DM	TR	Dec 13 2021
ADM/EFO	AC	12-13-2021

Attachment(s)

N/A