City of Morgan's Point

510 Bayridge Rd., ★ Morgan's Point, TX 77571
(281) 471-2171 ★ FAX (281) 471-7473

July 27, 2020

COASTAL BARRIER FINANCING PROJECT PROPOSAL

The Coastal Barrier project will meet a critical planning milestone within the next ten months when the U.S. Army Corps. of Engineers (USACE) will issue a final report on the Texas Coastal Study for submittal to Congress for approval and funding for the detailed design and construction.

To ensure momentum of the project does not slow while waiting for the final USACE report, it is imperative that a financing plan be formulated. To meet this goal, a 1 year $100,000 project is proposed to design and develop a set of financing options for meeting federal funding match (65% federal/35% local) requirements for new coastal protections across the Houston/Galveston region and supporting additional resilience improvements by capturing insurance benefits. The main elements of this study include:

- A six-month quantitative analysis on the insurance and financial value of improved coastal protection for key beneficiaries, industries and communities. **Proof of concept.**
- An industry roundtable to engage large-scale asset holders and assess options for pooling risk and aggregating private benefits of public investments.
- A workshop with potential public-private implementing partners, such as the GLO, key drainage districts, major insurance brokers and P3 construction firms, to develop a framework for implementation and community engagement.
- A final report with recommendations on financing options and design options for going above and beyond USACE approved, preferred alternatives to achieve greater environmental and social benefits, especially for low-income vulnerable communities and historic areas, from Galveston to Morgan's Point.

By working closely with state and local partners, this study aims to help Houston, Galveston, and neighboring communities meet federal matching fund requirements and fill critical funding gaps for priority social and environmental resilience improvements.

Resilience Bonds are one way that local governments can move quickly to fill these match requirements and potentially generate additional resources for even greater investment in local priority initiatives.

A Resilience Bond is a variation on a Catastrophe Bond. These bonds are insurance contracts (not municipal bonds) that link insurance coverage with risk-reduction measures to monetize avoided losses – such as, reduced business disruption. The resulting savings can serve as a source of predictable funding which communities can proactively invest in projects that strategically reduce risk.

If Catastrophe Bonds are similar to life insurance policies that only pay out when the worst disasters strike, then Resilience Bonds are more like a progressive health insurance program that provides incentives to make healthy choices – quitting smoking or exercising regularly – that reduce long-term risks and the cost of care. In the case of infrastructure, the parallel is coastal cities that upgrade their costal protection systems to reduce both the physical and financial damage from storms and floods, which in turn lowers potential losses for private industry and governments.

Resilience Bonds offer the additional benefit of generating flexible project funding, outside of traditional public budget silos. For cash-strapped cities and utilities, this can open up new funding for a wide range of resilience projects and priorities.

The proposed project or proof of concept study will be co-led by Jamie Rhodes and Shalini Vajjhala of Re:Focus Partners.

We are asking for your help to move forward on this vital project to protect our communities from devastating hurricane storm surge.

For more detailed information, I can be reached at 713-254-1612.

Contributions for the project should be directed to:
Fredell Rosen
Bay Area Coastal Protection Alliance (BACPA)
Cell 409-761-0047

Sincerely,

Michel J. Bechtel,
Mayor
City of Morgan's Point