TESTIMONY

COMMITTEE ON
Disaster Recovery & Infrastructure
34th Legislature of the Virgin Islands

OFFICE OF DISASTER RECOVERY

PRESENTED BY:
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Good Morning, Senator Janelle Sarauw, Chairwoman of the 34th Legislature’s Committee on Disaster Recovery and Infrastructure, other members of the Committee, fellow testifiers, and the listening and viewing audience. I am Adrienne L. Williams-Octalien, Director of the Virgin Islands Office of Disaster Recovery (ODR), a component of the Virgin Islands Public Finance Authority (PFA). Thank you for the opportunity to provide updates on the recovery of the Roy L. Schneider Hospital, Myrah Keating Smith Community Health Center, Charlotte Kimelman Cancer Institute, and the Governor Juan F. Luis Hospital and Medical Center.

As you are aware, the Office of Disaster Recovery was established within the PFA in February of 2019 and serves as the center of coordination for federal disaster recovery funds across all governmental departments, semi-autonomous agencies, and private non-profit entities.

I can categorically outline ODR’s primary responsibilities in relation to the Recovery as:

1. Get the money.  2. Spend the money.  3. Spend it correctly

With over 1500 projects across the territory, it is only prudent to set the order of priority for these projects. Governor Bryan identified five priority areas that were established based on the projects that affected the largest percentage of the community, the criticality of the service and project readiness. These key projects are set around Health & Hospitals, Schools, Housing, Utilities and Roads. ODR convenes regular meetings with all agencies with priority projects to ascertain the status and identify cross-cutting impediments to project completion to include matters related to funding, permitting and procurement.
The Governor Juan F. Luis Hospital & Medical Center’s temporary hardened structure (THS) has been determined to be the number one priority project for the Recovery. Despite its tremendous significance and need, this project has been mired in many challenges since its inception in 2018. ODR’s involvement with the project began with trying to secure FEMA funding for the furniture, fixtures and equipment (FF&E) that was omitted in the original contract for the THS, otherwise known as JFL North.

Prior to the establishment of ODR, $43M was obligated to JFL for the THS. Subsequently, ODR has assisted JFL in obtaining $78M in additional funding for the main THS structure and 5 major projects needed for the opening of the THS. These projects include design and installation of ancillary and commissioning services, administrative and radiology spaces, and the transfer of utilities. All of the constructions related funds have been secured. The remaining funds for the propane tank is expected to be obligated this month.

ODR continues to have weekly meetings with the JFL project team to assist in the identification and resolution of project or funding challenges in support of meeting the completion deadline.

JFL will be seeking additional FEMA funding for communications equipment and people movers to assist with the transition to JFL North and installation of a temporary parking lot. The current project schedule for construction completion is now at June 2021 but is significantly at risk due to the timeline to construct a building to house the medical gas system and other critical facility equipment.
In order to fully understand the delays that have impacted the pace of the permanent rebuild or repairs of our hospitals across the Territory, one must consider the opportunities that have been afforded to Puerto Rico and the Virgin Islands for recovery from the 2017 storms.

In 2018, Congress passed several new laws that included special provisions critical to the U.S. Virgin Islands’ recovery, including the Bipartisan Budget Act of 2018 (BBA). While these laws provided tremendous opportunities for the Territory, unfortunately, it took FEMA almost a year to release the associated policy guidance to enable implementation of the laws as Congress intended. You see, these provisions completely changed the way that FEMA administered its Public Assistance Program.

The BBA made sweeping changes to the Stafford Act which allows FEMA to replace or restore the function of a facility or system to industry standards without regard to the pre-disaster condition of the facility or system.

For example, the Juan F. Luis Hospital had a damaged sewer line prior to the storm. Under the traditional Public Assistance Program, the Territory would not have received funding for the repair of the sewer line because it was not damaged as a result of the storm. But we all know it would be, impossible to construct a new hospital without addressing the damage to the sewer line. Because of the BBA, the cost for the replacement of the sewer line can now be included in the project. What has provided much opportunity for the USVI has delayed the progress of our permanent projects by at least a year.

So, where are we now with the funding for the repair of these health institutions?
Despite the devastation of the Territory’s hospital system by the 2017 hurricanes, FEMA’s processes to approve facility replacements and associated funding have been mired in bureaucracy. It first became evident that the federal government did not fully grasp the level of damages when the U.S. Army Corps of Engineers (USACE), at FEMA’s request, produced an assessment report in April 2018 which concluded that none of the facilities needed to be replaced and that the entire hospital system Territory-wide could be repaired for just over $20M. To demonstrate how inadequate that assessment was, FEMA has subsequently approved more than $78M just for JFL North.

The Territory, with assistance of Witt O’Brien’s, successfully refuted the findings of USACE report and by mid-2018 had provided evidence that JFL, Myrah Keating Clinic and the Charlotte Kimelman Center all qualified for full replacement and Schneider Hospital either qualified for replacement or major reconstruction. If approved, hospital officials using the flexibility of Section 428 of the Stafford Act could then decide how to rebuild each facility to best meet their needs.

Although in May 2019, FEMA finally approved replacement of JFL, they have still not completed their analysis on the other hospital facilities. This decision-making has been delayed largely because of these new policies which requires healthcare facilities to be built back to modern industry standards and to include pre-disaster conditions in their replacement analysis. Combine these challenges and lack of FEMA resources, stretched thin by multiple concurrent disasters, the picture becomes clearer.
Here is the current status of each hospital:

- **Governor Juan F. Luis Hospital (JFL)** – In January of this year, FEMA completed their first cost estimate for replacement of JFL. Note that their estimate is now nearly $250M as compared to the April 2018 estimate of $12.5M. This cost estimate is now under review by the Territory with the assistance of Witt O’Brien’s and has the potential to increase over the next couple of months before a final figure is agreed upon.

- **Charlotte Kimelman Cancer Institute (CKCI)** – Although FEMA agreed with Schneider Regional’s Team on the level of damages in 2019, they have still not completed their 50% rule calculation which determines whether the facility should be repaired or replaced. To expedite the process, last month ODR requested for the Territory to be allowed to perform the 50% rule calculation and submit it for FEMA’s review. This calculation was submitted last week and shows that the cost of repairs is now more than 70% of the cost of replacement and easily qualifies for replacement. This 50% rule calculation is now under review by FEMA.

- **Myrah Keating Smith Clinic** – Similarly to CKCI, FEMA agreed to allow the Territory to complete the 50% Rule calculation and the figures submitted to FEMA for Myrah Keating last week also demonstrate that it is eligible for replacement with a repair cost more than 70% of the replacement cost. This is also now under FEMA review.

- **Roy L. Schneider Hospital** – From the outset, FEMA has contested the level of damages to Roy L. Schneider Hospital. The USACE April 2018 report stated that it could be repaired for a mere $4.5M and FEMA has pushed back on numerous damage assessments conducted by the Territory over the past three years. Until FEMA agrees upon the eligible
damages, the project cannot progress which ultimately impacts the approval of a temporary hospital. Another meeting is scheduled next week with FEMA to review each of their comments on the Schneider damages line-by-line and provide further evidence of the level of damages.

Despite the challenges towards obligation of funds for the permanent hospital, the territory is moving forward with plans to develop a fully integrated hospital system. In order to facilitate this colossal task, and to ensure consistent standards, the Territory-wide Hospital Redevelopment Team was established to oversee all design and construction processes for restoring the storm-damaged facilities. As a first step in the accelerated process, a Request for Proposals (RFP) for architectural services for the design of all hospital facilities was issued.

Funding for the Master Planning and Design Services for JFL was obligated at $10.5M. Subsequently, an A&E contract was awarded to Vlad Associates in October 2020. The contract is currently under the hospital territorial board’s review and is pending execution.

Roy L. Schneider Hospital received obligations in the amount of $4.6M for their Master Planning and Design Services. EYP Architects and Engineers were awarded the A&E contract in October 2020. The contract is also currently under the hospital territorial board’s review and is pending execution.

The Myrah Keating Smith Clinic’s A&E Design project was obligated at $695K in March 2020 and subsequently awarded to Smith Group in October 2020. The contract is currently under the hospital territorial board’s review and is pending execution.
As for the Charlotte Kimelman Cancer Institute (CKCI), the Master Planning and Design Services was obligated at $763K in March 2020. The A&E contract was also awarded to EYP Architects and Engineers in October 2020. The contract is currently under the hospital territorial board’s review and is pending execution. The design phase is expected to be between 6-8 months for the smaller facilities and 12-18 months for the two main hospitals.

ODR has emphasized the importance of FEMA prioritizing the Charlotte Kimelman Cancer Institute since the facility is offline and there is currently no temporary solution to provide services to cancer patients. Acting Recovery Director John Covell and other FEMA brass has confirmed that they understand this is a priority for the Territory. ODR will continue to work with FEMA to get these hospital projects obligated.

ODR plays a vital role in the reimbursement process by monitoring payment processing to ensure that timely payments are made to contractors. For example, ODR assisted in securing a $5M payment in July 2020 to avoid delays with long lead items at the Juan F. Luis Hospital. Not only did this effort save weeks to the project schedule, but it also kept the FF&E contract deadlines on track.

As of February 2021, FEMA has obligated $129M to the hospitals in the territory with $70M of those funds expended.

ODR has provided support to the hospital recovery projects in other areas beyond securing funding, monitoring project status and resolving vendor payment issues. As one of the initiatives for capacity improvement within our agencies, ODR hired five (5) Program Assistants that have been assisting the JFL’s fiscal and biomedical departments to support the opening of JFL North.
ODR has also authorized consultant support in the project management arena for both hospital systems and assists in the review of solicitations for compliance with federal guidelines.

As the center of coordination for federal disaster recovery funding, the Office of Disaster Recovery has naturally begun to take the necessary steps to respond and develop recovery strategies to address the COVID-19 pandemic in the U.S. Virgin Islands. ODR assists with the management, oversight, compliance, and tracking of multiple funding sources that have been available to the territory. The effort also entails coordinating closely with various agencies including the Office of Management and Budget (OMB) and Virgin Islands Territorial Emergency Management Agency (VITEMA) to ensure funds are allocated and appropriately expended within the identified timelines, while avoiding any duplication of benefits or non-compliant expenditures.

Currently, over $348M dollars of funding has been allocated or made available to the Territory due to COVID of which $183M, a little over 52%, has been expended to date. The hospitals collectively have received funds in excess of $25M, JFL received $11.7M and SRMC received $13.4M, from various sources other than FEMA Public Assistance. To date 99% of those funds have been expended.

The ODR website was expanded to provide funding information and the status of COVID recovery activities to inform the public and other stakeholders.

The U.S. Virgin Islands received a Presidential Declaration for grant funding through the Public Assistance Program for COVID-19 on April 2, 2020 retroactive to January 20, 2020 and continuing.
FEMA Public Assistance will provide aid for emergency protective measures in response to the COVID-19 pandemic.

As a result of the 2017 Irma and Maria disasters, the Territory has been able to build capacity through training and briefings enabling us to apply directly to FEMA and create our own project worksheets without relying on contractor assistance. The Territory has a total of 41 COVID projects with 24 of those projects obligated to date. Most of these funds have been expended by our local and semiautonomous agencies and is in the process of being reimbursed.

Subsequently, $2.5M of the $5.7M obligated was recently awarded for vaccination centers in the Territory. The Federal Cost Share for the vaccination centers is 100% with an additional $2.5M estimated in future costs.

As of February 2, 2021, President Biden through Executive Order has eliminated the 25% Cost Share for FEMA Public Assistance COVID-19 Funds. The next step will be for FEMA to provide guidance on how this Executive Order will be implemented.

Madam Chair, this concludes my testimony. I would like to take this opportunity to thank my staff for their hard work and dedication to the mission of recovering these islands. I would also like to thank you and the members of this committee for your commitment to the Territory’s Recovery and ODR in its quest to “Build a Legacy of Resilience.” I will remain available to answer any questions you may have.