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Agenda Date: 07/14/2020

Subject:
CARES Act Update

Prepared By: Tiffany Hooten, Finance Director

PURPOSE:

Staff will be discussing the CARES Act funds and potential eligible costs as they relate to COVID-19.

PRESENTATIONS:

Staff Presenter(s): Tiffany Hooten, Finance Director
Additional Presenter(s): N/A

SUMMARY:

The CARES Act Section established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories; and Tribal governments.

The populations of Arapahoe and Jefferson Counties are more than 500,000, allowing both counties to qualify and receive a distribution of \$114.75m from the Treasury Department. It was determined these funds could be shared with cities within the counties. Both counties have established separate processes for declaring and reporting eligible expenditures under the CARES Act for cities in both jurisdictions. Portions of Littleton are located in Arapahoe and Jefferson counties and therefore Littleton is eligible for funding from both counties. The city is expected to receive \$4,409,413 of CARES Act funds.

PRIOR ACTIONS OR DISCUSSIONS:

Council approved the intergovernmental agreements regarding the CARES Act local government distributions with Arapahoe and Jefferson Counties at the May 19, 2020 council meeting. A study session was held on May 26, 2020 with support from council on Phase I uses of CARES Act funds.

Additionally, council approved an ordinance on second reading on July 7, 2020 to appropriate \$4,409,413 from the grant fund for expenditures related to CARES Act funds.

ANALYSIS:

Staff Analysis

Understanding the needs of municipalities, and although it is not required, both Arapahoe and Jefferson County will be distributing funds to cities within their counties provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and is consistent with the other criteria of section 601(d) of the Social Security Act outlined in the Guidance.

Both counties followed the distribution method as prescribed by the CARES Act by distributing funds based on a 55/45 split with the County receiving 55% of the funds and allocating 45% to municipalities based on population. Based on these formulas, the City of Littleton is eligible for up to \$4.4m for eligible incurred expenses for the period of March 1, 2020 through December 30, 2020.

While the U.S. Treasury has issued limited guidance regarding reimbursable expenses, it made clear the initial recipient of funds (Arapahoe and Jefferson Counties) will be responsible for the fiduciary requirements of implementation. With the counties being the custodian of these funds and having fiduciary and reporting responsibilities, they will have final determination on eligible uses for these funds. Both counties have provided a process for advancement/reimbursement of funds and guidance to align with reporting requirements. Staff has been working with both counties on this process. Expenditures will be reviewed and approved by the counties to ensure compliance with the funding requirements.

Use of Funds

COVID-19 has impacted local municipalities in many ways and protecting the community and employees is of utmost importance. State orders are changing the community and workplace and the city must respond and adapt to these changes, which will financially impact the city.

The CARES Act requires the payments from the Coronavirus Relief Fund only be used to cover expenses that:

- (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- (2) were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- (3) were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The U.S. Treasury noted expenses must be necessary due to the public health emergency (both direct response and second-order effects), may not be used to offset lost tax revenue, and unspent funds as of December 30, 2020 must be returned to the Treasury. Eligible expenses include:

- Medical Expenses for Public Response to COVID-19 (Hospitals, Temporary Medical Facilities)
- Public Health Expenses (Communication of Public Health Orders, PPE for health and safety workers, disinfection of public facilities, other public safety related to COVID-19)
- Payroll Expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency
- Expenses of actions to facilitate compliance with COVID-19-related public health measures (food delivery, teleworking costs, paid FMLA and sick time, sanitization and improvements for social distancing in jail, mitigation of COVID-19 in homeless populations)
- Economic Support (expenditures related to grants to small businesses)

Ineligible expenses include:

- Damages covered by insurance
- Payroll expenses for those not dedicated to COVID-19 response
- Expenses that are being reimbursed by any other Federal program
- Reimbursement to donors for donated items or services
- Workforce bonuses other than hazard pay or overtime
- Severance pay
- Legal settlements

As the Department of Treasury guidance only provided limited examples of eligible uses, county staff, as well as other national local government associations/organizations, have been working directly with the Department of Treasury to more clearly define types of expenditures that will be eligible for reimbursement.

In addition to the Department of Treasury and county guidance, the City should also consider alignment with the council goals and objectives, needs of residents, businesses and community stakeholders, alignment and coordination with other recipients of Coronavirus Relief Funds, administration resources, and the potential for additional COVID-19 related closures and restrictions.

Phasing Plan & Prioritization Criteria

With over \$10 million in initial potential COVID-19 related costs and improvements, staff proposed a phased approach to evaluation and use of funds.

Potential Prioritization Criteria:

- Alignment with Council Goals
- The City of Littleton's Re-Opening Guiding Principles, in particular:
 - Safeguarding the health, safety and well-being of residents, businesses, and employees
 - Maintaining operational and fiscal integrity as circumstances evolve
 - Following the best preventative practices to keep the community healthy
 - Emphasizing caution and care to support the economic recovery of the community and the organization
 - Remaining nimble and flexible in planning and decision making
 - Supporting city employees and their families in staying healthy so they can serve the community
 - Working to ensure the impact of funding received from outside sources for the relief of COVID-19 is spent equitably
 - Recognizing that working together with neighboring municipalities, the county, and the state will be most effective in managing recovery
- Alignment with Littleton RISE (Recover, Innovate, Stabilize, Envision) through the three phases; Relief, Restart, Recovery
- Reduction of redundancy with county or state initiatives
- Partnership opportunities to leverage local funding and achieve regional impacts
- Contingency planning for a second wave, anticipated in September per the Centers for Disease Control and Prevention (CDC)

Staff provided a timeline of review and discussion of CARES Act funding along with criteria for determining use of funds with a study session scheduled for June 23 that was delayed to this July 14 meeting. It is anticipated to provide additional updates to council periodically through the end of the year.

Phase I Update

On May 26, 2020, staff presented the following actions for use of CARES Act funds, for a total of \$1,182,000.

- Business recovery grants phase I - \$150,000*
- Business recovery grants phase II/Rental assistance - \$500,000
- Screening and guards for public facing operations - \$75,000
- PPE, thermal scanners, decontamination systems - \$82,000
- Weekends on Main Street business support - \$100,000
- Disinfecting public facilities - \$100,000
- Phone system enhancements - \$75,000
- Laptops, licenses, etc. for telecommuting - \$100,000*

** A portion of these costs will be reimbursement for expenditures already incurred.*

Of these costs, \$200,000 are pending approval by the county, \$383,238 have been approved by the county, and the concept of Phase III business grants has also been approved. The recommended amount for Phase III business grants is \$375,000. This is a total of \$758,258 approved by the county.

Phase II Recommended Actions

At this time, staff has identified additional uses of CARES Act funds for the second phase.

- City council chamber reconfiguration - \$990,000
- AV enablement in meeting rooms at multiple city buildings - \$250,000
- Non-profit assistance - \$100,000
- Court improvements - \$30,000

A total of \$1,370,000 has been identified by the internal working group for use of CARES Act funds. Staff asks for support in moving forward with review and approval by the county on the above listed expenditures.

Staff will continue to review eligible expenditures and will be providing recommendations for additional phases in the coming months.

Council Goal, Objective, and/or Guiding Principle

Goal 2: Financial Sustainability

Fiscal Impacts

The city has been allocated \$4,409,413 from Arapahoe and Jefferson Counties.

This first phase of expenditures was estimated to be \$1,182,000 and this second phase totals \$1,370,000, leaving a balance of \$1,857,413 of available CARES Act funds.

Alternatives

Due to the complexity of this item there are any number of alternatives. Staff will attempt to address questions and alternatives brought up by council during the study session.

STAFF RECOMMENDATION:

Staff recommends council support moving forward on the second phase of expenditures.