



ADMINISTRATIVE SERVICES DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: October 6, 2020

Subject

COVID-19 Response: Coronavirus Aid, Relief and Economic Security (CARES) Act Framework and Funding Priorities

Recommended Action

1. Review, discuss, and approve CARES Act Grant Funding and Funding Priorities.
2. Adopt Resolution No. XXX amending the budget and authorizing the City Manager to accept \$735,259 Coronavirus Relief Fund (CRF) from the US Treasury (pass-through via the State of California) and \$553,939 in CARES-CV from US Department of Housing and Urban Development (HUD).

Discussion

Since the beginning of the pandemic, cities have incurred millions of dollars in unanticipated emergency spending to protect their residents and prevent further spread of the virus. Through the Coronavirus Relief Fund, the CARES Act provides for payments to State, Local, and Tribal governments navigating the impacts of COVID-19. The Act has three different funding streams, including the Coronavirus Relief Fund (CRF), Community Development Block Grant (CDBG) funding through the Federal Department of Housing and Urban Development (HUD), and Unemployment Insurance (UI) Benefits costs reimbursement up to 50% of actual costs.

The City submitted a form to the California Department of Finance on July 6, 2020 which certified the appropriate use of the funds and adherence to federal guidance, the State's stay-at-home requirements, and other health requirements as directed. Cities with populations between 300,000 and 500,000 were allocated \$225 million, and cities with populations of less than 300,000 were allocated \$275 million. Generally, the population of the city was used to determine the share of the allocation, with no city receiving less than \$50,000. The City of Cupertino's allocated share was \$735,259. Federal law specifies that these funds may only be used for unbudgeted costs incurred between March 1, 2020 and December 30, 2020. All funds must be spent (not merely encumbered) by the end of the calendar year.

The allocations, however, do not address the serious situation cities face given the revenue shortfalls caused by COVID-19 and the resulting public safety orders. The California League of Cities will continue to advocate for the resources that cities need to address this revenue loss and which are needed to continue to provide core services to residents and help kick start recovery.

There are six eligible expenditure categories for appropriate use of the CARES Act funding:

1. Medical Expenses
 - Treatment of COVID-19 and related expenses in public hospitals or clinics
 - Temporary medical facilities
 - Testing, including serological/anti-body testing
 - Emergency medical response, including emergency medical transportation
 - Establishing and operating public telemedicine capabilities
2. Public Health Expenses
 - Communication/enforcement-public health orders
 - Acquisition and distribution of medical and protective supplies (PPE/cleaning supplies) for various public health and safety staff
 - Disinfection of public areas and other facilities
 - Technical assistance on mitigation
 - Public safety measures in response to COVID-19
 - Quarantining individuals
3. Substantially Dedicated Payroll Expenses
 - Includes: public safety, public health, health care, human services, and similar employees
 - Public health and public safety are presumed to be “substantially dedicated”
4. Comply with Public Health Measures and Mitigate the Effects of COVID-19
 - Food delivery to seniors and vulnerable populations
 - Telework capabilities for public employees
 - Providing paid sick, paid family, and medical leave to public employees
 - Caring for homeless
5. Economic Support
 - Grants to small businesses for costs of business interruption
 - Grant or financial assistance – payment of overdue rent/mortgage to avoid eviction or funeral expense
 - Payroll support program
 - Unemployment insurance (UI)
6. Other: Any other COVID-19 expenses “reasonably necessary” to the function of government that satisfies the broader eligibility criteria:
 - Hazard pay and overtime if substantially dedicated
 - Increases workers compensation costs due to COVID-19

- Leases renewed solely to respond to COVID-19
- Public health emergency recovery planning
- Enrollment in government benefit programs

The following items are limitations and rules for the use of CARES Act funding:

- Funds cannot be used to backfill lost revenue
- Cannot be used as non-federal share of Medicaid
- Payroll or benefits for employee duties not “substantially dedicated” to COVID-19
- Workforce bonuses
- Damages covered by insurance
- Assistance to owners to pay property taxes
- Unspent funds must be returned to the US Treasury
- Subrecipients are bound by this requirement; all expenses must be incurred during the covered period

The Treasury’s Office of Inspector General (OIG) is responsible for compliance monitoring and oversight of the receipt, disbursement, and use of Coronavirus Relief Fund payments. For administrative convenience purposes, the OIG is operating under the presumption that public safety employees (and public health, health care, and human services) are substantially dedicated to mitigating and responding to COVID-19. As a result, all of Cupertino’s public safety costs contracted through the County Sheriff’s Office are allowable to the extent of the \$735,259 available funding.

The City has already incurred these public safety costs and because they would otherwise be unallowable for reimbursement through other funding sources, staff believe it is financially prudent to relieve the General Fund of the costs already incurred. As such, staff recommend the City’s share of CARES funding be allocated and reported for public safety costs.

Staff also recommend moving forward, as originally planned, to fund other COVID-19 mitigation and response measures. It is likely these proposed requests may be deemed allowable for reimbursement through subsequent relief funding (CARES Act, FEMA, or other). Once the COVID-19 emergency period has ended, the City will have sixty (60) days to submit remaining eligible expenses for FEMA reimbursement.

To date the City has spent approximately \$81,000, \$24,500, and \$50,000 on Category 2, Category 4, and Category 5 expenses, respectively. Category 2 primarily consisted of cleaning, sanitation, and personal protective equipment (PPE) costs. Category 4 included homeless encampment, employee telework, and senior meal delivery. Lastly, Category 5 comprised a grant contribution to West Valley Community Services for emergency assistance funds for tenants at risk of eviction. The City is proposing to spend an additional \$580,300 as follows:

Category 2 – Proposed Requests:

Amount	Description
\$ 20,000	Installation of door openers across all City-owned facility. Acrylic shields for facility cubicles
\$ 60,000	Hands-free plumbing fixtures throughout City facilities
\$ 50,000	Installation of occupancy sensors for lighting systems
\$ 50,000	Disinfecting and sanitary coating to plenums at City Hall
\$ 79,300	Touchless drinking fountain replacements at various park sites
\$ 50,000	Disinfection of public areas, facilities, and sanitizing wipes
\$ 309,300	

Category 4 – Proposed Requests:

Amount	Description
\$ 50,000	Distance learning for Recreation programs
\$ 35,000	Technology for Seniors (hotspots, iPads)
\$ 5,000	Multiple wall mount sanitizers
\$ 16,000	Touchless ice machines
\$ 18,000	Senior meal delivery
\$ 28,800	Daycare distance learning equipment
\$ 200	Sanikeys for public employees
\$ 8,000	Signage, stickers, decals for public awareness and outreach
\$ 50,000	Telework capabilities
\$ 211,000	

Category 5 – Proposed Requests:

Amount	Description
\$ 60,000	Emergency assistance for Cupertino tenants impacted by COVID-19

Community Development Block Grant (CDBG)

In addition to the City of Cupertino's \$735,259 Coronavirus Relief Fund (CRF) allocation, the City has been awarded a Community Development Block Grant (CDBG) to prevent, prepare for, and respond to COVID-19 through providing quality subsidized housing and expanding economic opportunities for low-and-moderate persons through the Department of Housing and Urban Development (HUD) programs. The City has confirmed that these CARES Act funds will not count toward the \$735,259 allocation, but will be in addition to the \$735,259 allocation.

On May 19, 2020, Council considered authorization of the initial CDBG funding award of \$229,017. The funds were authorized to establish the Cupertino Small Business Emergency Relief Grant Program in collaboration with the Enterprise Foundation, which provides economic development educational and referral services through the Silicon Valley Small Business Development Center (SBDC). As of September 2020, the City received its third round of CARES Act funding, an additional \$324,922 of CDBG CARES-CV funds. City Council has the option to continue the Cupertino Small Business

Emergency Relief Grant Program by allocating these additional funds toward a second round of grants to local small businesses.

Unemployment Insurance

The Employment Development Department (EDD) issued a letter on July 24, 2020, notifying the City of its eligibility for tax relief under the federal CARES Act. The City is eligible to recuperate up to 50% of unemployment insurance costs incurred as a result of COVID-19. To date, the City effectively realized \$106,230 in costs of which \$53,115 or 50% have been reimbursed by the State of California's Employment Development Department (EDD) in the form of a credit.

Sustainability Impact

No sustainability impact.

Fiscal Impact

The City will be receiving \$1,289,198 in CARES Act relief funding excluding unemployment insurance reimbursement (\$735,259 primary CARES Act allocation and \$553,939 for CDBG-CV). These grant revenues will be offset with expenditures incurred for public safety and additional proposed requests as discussed above. The net financial impact on the City would be minimal.

Prepared by: Zach Korach, Finance Manager

Reviewed by: Kristina Alfaro, Administrative Services Director

Approved for Submission by: Dianne Thompson, Assistant City Manager

Attachments:

A – Resolution No. 20-XXX