

# MEMORANDUM

Office of the City Manager



**DATE:** May 6, 2020  
**TO:** Mayor and Councilmembers  
**THROUGH:** Steven G. McHarris, Interim City Manager *Steve McHarris*  
**FROM:** Ashwini Kantak, Assistant City Manager  
**SUBJECT:** Federal Stimulus Funding Potentially Available related to COVID-19 Impacts

## Introduction

This informational update provides a summary of any Federal Stimulus Fund available to our City related to COVID-19 impacts.

On March 27<sup>th</sup>, the President signed into law the Coronavirus Aid, Relief and Economic Security (CARES) ACT, providing \$2.2 trillion dollars of relief funds for businesses, government agencies, nonprofit organizations, and individual Americans. The primary sources of relief for municipalities within the CARES ACT was the \$150 billion Direct Relief Fund, Community Block Development Grant (CDBG), and disaster relief available through the Federal Emergency Management Agency (FEMA). The CARES ACT includes a variety of competitive grant opportunities, which were detailed in the April 6<sup>th</sup> Memo to Council; those grant opportunities will not be repeated here.

On April 24<sup>th</sup>, the President signed another relief bill into law (referred to as “Stimulus Round 3.5” as it extends upon the CARES ACT), to provide \$484 billion of funding to support hospitals, COVID-19 testing, and to replenish funds for U.S. Small Business Administration loan programs. The package includes \$75 billion for hospitals; \$25 billion for testing; \$50 billion for the Economic Injury Disaster loan program; \$10 billion for the *Emergency* Economic Injury Grant program; and \$310 billion for the Paycheck Protection Program. This update will briefly touch upon the virtual business assistance for small business owners provided by the Milpitas Economic Development Department.

## Direct Relief Fund

Funding from the Direct Relief Fund is restricted to states and local governments with over 500,000 residents. Therefore, staff contacted the CA Governor’s Office to inquire about funding distributed by the State to municipalities and were instructed to contact the County regarding any allocations from the Direct Relief Fund. Since the County of Santa Clara was eligible to receive Direct Relief Fund allocations, today the Interim City Manager sent a letter to the County Executive of Santa Clara County inquiring about the funds the County is expected to receive and the County’s plans to allocate any CARES ACT related funding to our City. Neither the State nor Santa Clara County are obligated to share any of their CARES ACT allocations with any other local units of government.

## Disaster Relief Funds

The CARES ACT included \$45 billion dollars of disaster relief administered by Federal Emergency Management Agency (FEMA). The FEMA Public Assistance (PA) grant program is a reimbursement program that helps local communities recover from natural disasters. Local communities utilize the PA program for recovering costs associated with repairing or rebuilding damaged infrastructure after a federally declared disaster such as an earthquake or hurricane.

The PA program also reimburses “emergency protective measures,” or actions taken before or after a disaster to “protect lives, protect public health and safety, and protect improved public and private property.” The PA program reimburses 75% of eligible costs.

#### Community Block Development Grant (CDBG)

The CARES ACT included a \$5 billion-dollar allocation to the Community Block Development Grant (CDBG). The City of Milpitas has received, based on the CARES ACT formula for CDBG, an additional \$397,911 in funding above the pre COVID-19 FY2020 allocation of \$676,413. Thus far, the total CDBG FY2020 allocation to Milpitas is \$1,074,324. City of Milpitas Building Safety and Housing staff expect an additional CDBG allocation. The US Department of Housing provides flexibility in how existing and COVID-related CDBG funds can be used.

### **City Activities and Programs Potentially Funded with Federal Stimulus Funds**

#### “Stimulus Round 3.5”

According to Congressman Ro Khanna’s office, the \$25 billion authorized for COVID-19 testing will flow through the U.S. Dept of Health and Human Services (HHS). HHS is developing guidance for the \$25 billion for testing and will provide their “spend plan” within 30 days of the April 24<sup>th</sup> date that “Stimulus Round 3.5” was signed into law. The City will be following this legislation closely to potentially recover costs for the COVID-19 testing site at the Milpitas Sports Center and other proposed testing sites in Milpitas.

This latest round of federal stimulus funding replenished the U.S. Small Business Administration’s (SBA) Paycheck Protection Program and Economic Injury Disaster Loan program (EIDL). As of April 28<sup>th</sup>, the City’s Office of Economic Development has contacted approximately 275 small business owners to inform them about these two SBA loan programs, as well as other small business loan programs offered by the SBA, the State of California, nonprofit lenders, and commercial lenders. Small business owners have been contacted through the Business Assistance email address, the Business Resiliency and Recovery Webinar, and the Business Survey.

#### Disaster Relief Funds

The following activities are reimbursable under FEMA’s Public Assistance Grant Program (PA) “emergency protective measures” category.

- Management, control, and reduction of immediate threats to public health and safety
  - o This includes emergency operations center activities, training specific to the declared event, disinfection of public facilities, security associated with the declared disaster, purchase and distribution of food and water, and communications to the public to provide warnings and guidance.
- Emergency medical care and sheltering
  - o This includes expenditures of relevant medical supplies and equipment, including personal protective equipment; provision of medical services including disease testing and treatment; and enhanced medical facilities including temporary medical facilities and community-based testing sites.
  - o Temporary lodging for first responders that have been infected or have the potential for infection.

It should be noted that labor is typically the largest cost category for the FEMA PA program, which limits labor expenses to backfill and overtime costs for hourly employees. FEMA reimburses

management fees up to five percent of the total project amount, which allows for some cost recovery of salaried (exempt) employees.

Based on information provided by FEMA, staff has been tracking costs through the City's financial systems and on shared spreadsheets. As of mid-April, staff believes that the activities identified below are reimbursable at 75% of costs incurred. The table below summarizes preliminary cost estimates by reimbursable activities. Please note that for some activities, costs are still being incurred and documented. FEMA provided additional guidance regarding documentation of expenditures last week, which have been operationalized. These cost estimates cover March 15 through April 26, 2020.

| Potentially Reimbursable Activities  | Preliminary Cost Estimate |
|--|---------------------------|
| Overtime and backfill labor costs mainly for first responders and EOC Operations | \$65,000                  |
| Purchase of Personal Protective Equipment & medical supplies                     | \$125,000                 |
| Cleaning services for additional disinfection of buildings                       | \$25,000                  |
| Public communications about general health and safety information about COVID-19 | \$32,369                  |
| Incremental expenses due to teleworking  | TBD                       |
| <b>Total Preliminary Cost Estimate</b>   | <b>\$247,369</b>          |

CDBG funding

The Building Safety and Housing staff are currently analyzing ways to use the \$1,074,324 in CDBG funding. It is anticipated that there will be a significant need for rent assistance from Milpitas residents. Staff are currently conducting outreach to the City's nonprofit partners to identify the community's needs and examples of nonprofit organizations are listed below. Staff anticipate completing the outreach and bringing the information to the CDBG Subcommittee in mid-May. Subsequently staff will create amendments to the Consolidated Plan, Annual Action Plan, and perform related work based on Subcommittee feedback, and bring the CDBG funding and amended plans to Council in mid-June.

1. Rent and Mortgage Assistance
  - a. Silicon Valley Independent Living Center
2. Senior/Community Wellness Services
  - a. Catholic Charities
  - b. Senior Adults Legal Assistance
  - c. Rebuilding Together Silicon Valley
3. Food Security
  - a. Milpitas Food Pantry
  - b. Second Harvest Food Bank
  - c. The Heath Trust – Meals on Wheels
4. Domestic Violence
  - a. YWCA
  - b. Next Door
5. Utilities
  - a. The Building Safety and Housing Department is looking into the potential to direct CDBG funds to cover delinquent and current utility payments of low-income residents.

Next Steps

Staff will continue to carefully track federal legislation and provide updates to Council.