

# MEMORANDUM

Office of the City Manager



**DATE:** July 2, 2020  
**TO:** Mayor and Councilmembers  
**THROUGH:** Steve McHarris, City Manager *Steve McHarris*  
**FROM:** Walter C. Rossmann, Finance Director

**SUBJECT: Update on Federal Grants related to COVID-19 and CARES Funding Allocation**

This Information Memorandum provides an update on federal Grants related to COVID-19, the City's Coronavirus Aid, Relief and Economic Security (CARES) Act funding allocation, summarizes COVID-19 related expenditures incurred and paid between March 12 and May 31, 2020, and discusses FEMA reimbursable expenditures and timing of submission of requests for expenditure reimbursement based on staff's understanding of FEMA's guidance and discussion with FEMA representatives.

### Background

On March 12, in response to the growing Coronavirus threat and the State of California's declaration of a state of emergency, City Manager Steve McHarris declared a local emergency. On March 13, the President of the United States declared a National Emergency concerning the Novel Coronavirus Disease (COVID-19) Outbreak. On Monday, March 16, 2020, the County of Santa Clara, and six of the most populous counties in the region, announced a shelter-in-place (SIP) order in light of the increased number of cases of COVID-19 that have been confirmed in Santa Clara County.

In response to the economic impact related to the pandemic, on March 27<sup>th</sup>, the President signed into law the 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 Development Block Grant (CDBG), and disaster relief available through the Federal Emergency Management Agency (FEMA). 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.

### Coronavirus Relief Fund Allocations for Cities and Counties

The FY 2020-21 State Budget includes an allocation CARES Act funding in the amount of \$275 million for cities with populations of less than 300,000 to address the public health and public safety impacts of COVID-19. Yesterday, the State's Department of Finance posted the funding allocations for cities. Based on the City of Milpitas population, our City was allocated \$962,595. 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 year. In order to be eligible for the funds, staff had to email a certification form to the State by July 10, 2020. The certification was submitted on July 1.

In the next few weeks, staff will review State and federal guidance regarding the type of expenditures which can be funded with this allocation and bring forward recommendations for the use of federal funds for Council consideration at the August 4, 2020 Council meeting with a priority on reimbursing the General Fund for COVID-19 related expenditures and replenishing our General Fund reserves. As

shown below, of the nearly \$1.4 million in COVID-19 related costs incurred from March to May, staff estimates to receive less than \$300,000 from FEMA. The CARES Act allocation of approximately \$963,000 does not even cover the remaining costs of \$1.1 million incurred during the first three months of the shelter-in-place order and we continue to dedicate significant resources for efforts related to the pandemic.

### COVID-19 Expenditures

Based on the City Manager’s declaration of an emergency, staff started to track expenditures related to the response of COVID-19 such as activation of the Emergency Operations Center (EOC), keeping City facilities clean and safe, development of administrative policies and processes in response to SIP, increased outreach and communication to our residents and businesses, procurement and distribution of supplies and services, and set-up and staffing of testing sites.

The table below provides a summary of COVID-19 related expenditures incurred and paid between March 12 and May 31, 2020 and identifies FEMA reimbursable expenses based on staff’s understanding of FEMA’s guidance and discussion with FEMA representatives. Please note that the reported amounts for non-personnel expenditures may change as more invoices are received and authorized for processing.

| Expenditure Category                                | FEMA Reimbursable | March 2020       | April 2020       | May 2020         | Total              |
|---|-------------------|------------------|------------------|------------------|--------------------|
| Budgeted Personnel Costs                            | No                | \$247,802        | \$466,621        | \$311,449        | \$1,025,872        |
| Temporary Personnel                                 | Yes               | 8,023            | 20,284           | 20,983           | 49,290             |
| Overtime  | Yes               | 38,539           | 29,499           | 34,704           | 102,742            |
| <b>Personnel Cost – Subtotal</b>                    |                   | <b>294,364</b>   | <b>516,404</b>   | <b>367,136</b>   | <b>1,177,904</b>   |
| Supplies and Services                               | Yes               | 1,304            | 62,751           | 122,445          | 186,500            |
| <b>Total COVID-19 Expenditures</b>                  |                   | <b>\$295,668</b> | <b>\$579,155</b> | <b>\$489,581</b> | <b>\$1,364,404</b> |
| <b>Expenditures Eligible for FEMA Reimbursement</b> |                   | <b>\$47,866</b>  | <b>\$112,534</b> | <b>\$178,132</b> | <b>\$338,532</b>   |

The total COVID-19 related expenditures incurred and paid from March 12 to May 31 amount to nearly \$1.4 million with nearly \$1.2 million spent on staff costs. However, based on FEMA guidance, FEMA eligible personnel costs only include incremental labor cost such as temporary personnel and overtime as well as non-personnel expenditures for supplies and services related to the pandemic. Therefore, the total of eligible expenditures for FEMA reimbursement for the three-month period amounts to \$338,532 of which staff expects to receive 75% plus the 5% Management Fee or approximately \$271,000. It is important to note that the personnel costs in the amount to \$1,025,872, which are not eligible for FEMA reimbursements, are eligible for the City’s CARES fund allocation.

### FEMA Eligible Expenditures

The following paragraphs summarize FEMA guidance of eligible expenditures, discuss in more detail the FEMA eligible expenditures incurred and paid between March 12 and May 31, 2020, and the timing for submitting reimbursement requests to FEMA.

During the months of April and May, FEMA issued and updated guidance regarding the eligibility of reimbursable expenditures related to COVID-19. In general, any non-budgeted and incremental staff costs such as temporary personnel hired in response to the pandemic or overtime is a reimbursable personnel expense. Any contractual services such as additional janitorial or communication/outreach services, supplies such as disinfectants or personal protective equipment (PPE), or equipment such as body scanners are reimbursable. Further, staff confirmed that FEMA reimburses costs related to temporary medical facilities. It is important to note that FEMA, in general, reimburses 75% of eligible expenditures and up to 5% management cost.

The cost for temporary personnel was primarily related to staff working at the County test site and in support of the Emergency Operation Center (EOC) activation. Overtime costs were primarily incurred to set up administrative processes and policies in response to COVID-19; EOC meetings and coordination; contract implementation for disinfection services at the Police Station; updates to the Economic Development website; COVID-19 Emergency Medical Services Training; PPE Inventory and Ordering, activities related to the mobile testing and fixed testing sites.

The expenditures for supplies and services was primarily related to the purchase of personal protective equipment such as N95 masks, medical booties, gloves and gowns, coveralls, and face shields; cleaning and sterilization supplies and equipment such as disinfectants, hand sanitizers, surface wipes, and UV-C sterilizers; communication, outreach and translation services; training for four designated Infection Control Officers; and hotel accommodations for quarantined personnel.

Staff has been in contact with FEMA representatives to discuss the reimbursement process and timing. Based on FEMA staff's advice, staff set up a cost tracking process consistent with FEMA requirements and will submit the City's first request for reimbursement of costs for the period March 12 to June 30<sup>th</sup>, 2020. Staff anticipates submitting the reimbursement request late July/early August 2020.

### **Other Federal and State Grant Opportunities**

In addition to the CARES Act allocation and potential reimbursements of COVID-19 related costs through FEMA, staff continues to track other federal and State grant opportunities such as CDBG and Staffing for Adequate Fire & Emergency Response Grants (SAFER) grants. On May 15, staff applied for a SAFER grant in the amount of \$72,420.59 for PPEs for the Fire Department.

### **Next Steps**

Staff plans to provide regular updates to the Council on costs incurred and paid related to the pandemic, requests for reimbursement of costs submitted and approved by State and federal agencies, and status of grants. We also plan to post fiscal information regarding the pandemic on the City's website.

Further, as mentioned above, staff will review State and federal guidance regarding the type of expenditures which can be funded with the CARES Act allocation and bring forward recommendations for the use of federal funds for Council consideration at the August 4, 2020 Council meeting.