



City Council Memorandum

To: Mayor Fasbender & City Councilmembers
From: City Administrator Dan Wietecha
Date: July 20, 2020
Item: CARES Act Funding

Council Action Requested:

Begin narrowing parameters of CARES funding.

Background Information:

Hastings will receive \$1,743,298 for eligible expenses through the CARES Act funding.

The federal requirements include three criteria, all of which must be met, for eligible expenses:

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) OR substantially different from the expected budgeted use.
3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020 (note the state restriction is tighter than this).

The state has placed a couple of additional restrictions on the money, primarily to tighten its administration. These include a certification process, monthly reporting to the state, and a shorter time period (3/1/20 to 11/15/20).

Although the criteria are rather broad, eligible expenditures do not include lost revenues.

A key message from the Minnesota Management and Budget office (MMB) was to document, document, document. There is no such thing as too much documentation. MMB repeatedly recommended documenting the decision for use of the funds. For example, document

consideration of the three eligibility criteria; document which of six categories the expense fits; and document any approvals by City Council, City Administrator, or Department Heads. The importance of documentation has been echoed by our financial auditor Bergan KDV.

A couple other important considerations are that there is no double-dipping; we've already received a state grant for \$19K and a federal grant for \$27K. We will need to keep these funds clearly separate from the CARES funding. Additionally, if we apply for FEMA reimbursement for some expenses, we will need to keep it separate as well.

The state is requiring monthly reports as well as some time in the middle of the CARES period and at the end. Federal requirements will include an additional review during the City's annual financial audit. If the City uses CARES funds on something later determined to not be eligible, we will be required to repay the misspent money.

City Finances – The City should make sure it covers all eligible City expenses incurred in response to the COVID-19 pandemic. **Total identified costs are \$444K plus EMS and Police payroll and other pending expenses.**

- Payroll (including benefits) for non-safety employees have been tracked at **\$144K** through June. Estimates for future months have not been calculated, but expenses for these employees should be lower in the coming months.
- Payroll (including benefits) for EMS and Police – we are awaiting call data from DCC to calculate payroll related to COVID to date and to project future months.
- Unemployment insurance payments ran **\$12K** for the second quarter.
- Miscellaneous expenses (technology, communications, legal, PPE, plexiglass, etc) have run **\$42K** through June.
- Audio / visual equipment for the Community Room will run **\$2K**.
- Business license refunds (March-June) ran **\$27K**.
- HEART grants ran **\$169K**.
- Delineators and barricades for downtown will run **\$25K** through November 1.
- Proposed plexiglass screens for City Council Chambers – waiting for quote.
- Proposed transport ventilator would cost **\$9K**. The three current auto vents are over 20 years old and have no calibration. We only need one unit that would be kept at the station, rather than a unit on each ambulance. It would be used primarily during patient transports.
- Proposed shelves (for PPE) and lockers (for changed, sanitary response model) for Fire Department will run **\$8K**.
- Proposed A/V equipment for Fire/EMS Training Room – waiting for quote.
- Proposed A/V equipment for Police mobile command – waiting for quote.
- Proposed work station / cubicles for Police – waiting for estimate.
- Proposed Kaivac cleaning and disinfection machine for Arena will run **\$6K**.

Building Upgrades – A variety of items might be considered to improve the health and safety of several City buildings for employees and the public. At this time, none of these items have been ordered.

- Proposed UV lighting units would be added to air handling systems where feasible in City buildings. At \$5K a piece, the 5 units for City Hall would run **\$25K**. Estimates and feasibility for other buildings are pending.
- Proposed touchless fixtures (lights, toilets, faucets, towel dispensers) are estimated at **\$60K** for installation at City Hall, Police, Fire, Public Works, and the main Parks building. We are waiting on estimates for the Arena and Aquatics Center.
- The CDC has recommended increasing fresh air flow to occupied buildings. The HVAC system at the Fire Station has design flaws, is obsolete, and lacks VAV automation making it difficult to reliably increase air flow. When manually adjusting dampers, one of the air conditioning units has difficulty keeping up. Replacing the system is estimated at **\$325K to \$350K**. It might be possible but would be difficult to complete this project by November 15. Upgrading air handling units at City Hall is not feasible by the deadline.
- Proposed installation of permanent tempered glass partition at the front customer service counter at City Hall will run **\$4K**.
- Proposed adding of electrical outlets to the riser in the Community Room has not been quoted. With its larger size to host meetings while social distancing, this room is being used much more frequently than before. At this time, the one existing outlet in the riser is the only outlet in the room. Adding outlets along the exterior walls would be preferred but may be difficult due to historic preservation requirements associated with the room.

Economic Support for Business – Anecdotally, the thought is that at least 10% of the CARES funding is recommended to be used for business support.

Through the HEART grants, the City has already provided \$169K in grants to small businesses to help with expenses related to their re-opening. The City has also incurred about \$25K in barricades to assist the downtown businesses and \$27K in business license refunds. The expenses are eligible for reimbursement through CARES funds. In total, the City has met the anecdotal 10% target; although, it could decide to do more.

On July 14, Dakota County committed \$10M of its CARES funds for small business assistance. There is also the opportunity for cities to contribute additional funds to be used locally; the county will send more information in the coming week.

- \$10M of Dakota County CARES funds to be used for \$10K small business grants
- They are using the same guidelines as the DEED program:
 - 50 or less FTE
 - For profit businesses (home-based and non-profits not eligible)
 - Show negative impact to sales from COVID-19

- Lottery system to award grants (there are nearly 10,000 businesses with under 50 FTE in Dakota County)
- Contracting with NextStage to administer the grant program
- Opportunity for cities to contribute additional funds to be used locally – details pending
- Anticipated timeline:
 - Applications open in July 27 (Hastings businesses are encouraged to apply regardless of any potential decision about additional City funding)
 - Funds distributed September – November

Economic Support for Social Service – During its July 6 meeting, the City Council referred this topic to the Administration Committee to review and recommend. The Administration Committee has a meeting scheduled for July 17.

Please note that the City still needs to follow laws about using money for a public, not an individual, purpose. Last week, Attorney Fluegel sent an overview of this concern, and I understand LMC and MACA are also discussing this. In any case, I think much of it will come down to documenting the rationale behind the City’s decisions.

Additionally, an explicit requirement of the CARES Act is that any partnership or pass-through of CARES funds to a non-profit or other organization must still meet the requirements of the grant: the money needs to be used in response to the public health emergency, must have been unbudgeted, and needs to be spent between March 1 and November 15. Since the City is responsible for the proper use of its CARES funds, a legal agreement regarding the use of the funds is recommended for any pass-through or partnership organization.

Financial Impact:

Additional \$1.7M in revenue for eligible expenses.

Committee Discussion:

Not Applicable

Attachment:

Not Applicable