



STAFF REPORT

To: Council of Governments (COG)
From: Janna Young, Deputy County Manager
Date of Meeting: July 7, 2020
Type of Item: Proposal for expenditure of federal CARES Act grant
Process: Work Session

Background

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief and Economic Security (CARES) Act, which Congress developed in an effort to support state and local governments in their response to the COVID-19 pandemic.

This legislation provided \$1.25 billion in federal money to the State of Utah. Based on the distribution formula in the CARES Act, \$934.8 million was paid directly to the state government; \$203.6 million was paid directly to Salt Lake County; and \$111.6 million was paid directly to Utah County (Note: Salt Lake County and Utah County have a population of greater than 500,000, which per the CARES Act statute, triggers a direct appropriation).

The State is distributing a portion of its \$934.8 million payment to Utah counties and municipalities outside of Salt Lake County and Utah County that did not receive a direct allocation. Salt Lake County, Utah County, and municipalities within those counties are not be eligible for additional funding from the state's allocation. COVID-19 response needs for those counties and municipalities within those counties should be covered with the direct payments made to Salt Lake and Utah counties.

NOTE: The CARES Act also allocated funding to the "CDBG, COVID-19 Emergency Small Business Grant Program," which is administered through the Utah State Small Cities Community Development Block Grant (CDBG) Program.

This program is separate from the CARES Act allocation the County is receiving directly from the state. It provides \$5,000 grants to COVID-19 affected small businesses to use on rent and utilities, payroll, outstanding debt, cleaning and disinfecting, and other immediate operational costs.

Distribution Formula

Distribution of all the monies is based on population. The population-based funding allocation formula was developed after discussions between the Governor's Office of Management and Budget, the Office of the Legislative Fiscal Analyst, the Utah Association of Counties, and the Utah League of Cities and Towns. The formula was also presented to the Legislature's Executive Appropriations Committee during its May 13, 2020 meeting.

Population was selected as the distribution tool to mirror the federal government's distribution method to Salt Lake and Utah counties. These two counties received the full value of \$175 per resident. The same value of \$175 a resident was applied to the remaining 27 counties.

For residents living in a city or town, half of the \$175 allocation (\$87.50) goes to the city or town and the remaining half (\$87.50) goes to the county government. For residents living in unincorporated portions of a county, the full \$175 goes to the county.

For example, a resident living in Kamas City counts for \$87.50 for Kamas City, and \$87.50 for Summit County. A resident living in unincorporated Summit County counts for \$175 for Summit County.

Based on this formula, Summit County and Cities are expected to receive the following maximum grant award:

Municipality	Maximum Award	First Tranche/Allocation (June)
Summit County	\$5,938,786.00	\$1,979,595.00
Coalville City	\$139,574.00	\$46,525.00
Francis City	\$135,275.00	\$45,092.00
Town of Henefer	\$84,657.00	\$28,219.00
Kamas City	\$197,211.00	\$65,737.00
Oakley City	\$148,435.00	\$49,478.00
Park City	\$750,595.00	\$250,198.00

(NOTE: this maximum amount is not guaranteed, and may be subject to revision by the Governor or the Legislature).

The determined allocation for each county and municipality will be divided into three payment tranches to be paid in June, August and October, respectively. The first allocation that will be paid in June to each county and city/town is to cover expenses dated back to March 1st and any ongoing expenses covered under the CARES Act and Treasury guidance.

The remaining two tranches will also be distributed based on population, unless it is determined in the future that changes need to be made to the formula according to “hot spots” or other needs. All future disbursements are subject to availability of funding.

Eligible Expenditures

The CARES Act provides that payments may only be used to cover costs 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 local government’s most recently approved budget as of March 27, 2020 (the date of enactment of the CARES Act)
3. Were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.

Necessary expenditures incurred due to the public health emergency

May include expenditures incurred to allow the local government to respond directly to the emergency, such as by addressing medical or public health needs, as well as expenditures incurred to respond to second-order effects of the emergency, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be “necessary.” The Treasuring Department understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs not accounted for in the budget most recently approved as of March 27, 2020

A cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget, *or* (b) the cost

is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency.

A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

A cost is “incurred” when the responsible unit of government has expended funds to cover the cost.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs
 - Costs of providing COVID-19 testing, including serological testing
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19- related treatment
2. Public health expenses such as:
 - Expenses for communication and enforcement by local governments of public health orders related to COVID-19
 - Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency

- Expenses for disinfection of public areas and other facilities, *e.g.*, nursing homes, in response to the COVID-19 public health emergency
 - Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety
 - Expenses for public safety measures undertaken in response to COVID-19
 - Expenses for quarantining individuals
3. 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.
4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:
- Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions
 - Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions
 - Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency, such as:
- Expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures
 - Expenditures related to a local government payroll support program

- Unemployment insurance costs related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive examples of ineligible expenditures

The following is a list of examples of costs that would *not* be eligible expenditures of payments from the Fund:

1. Expenses for the State share of Medicaid
2. Damages covered by insurance
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency
4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds
5. Reimbursement to donors for donated items or services
6. Workforce bonuses other than hazard pay or overtime
7. Severance pay
8. Legal settlements

Summit County Expenditure Plan

Below is the expenditure plan for the County's allocation. We are in the process of prioritizing expenditures and needs for the second and third tranches/allocations, which will be presented to the County Council at their meeting on July 29th.

The expenditures for the first tranche of funding primarily address costs the County has incurred since the beginning of the emergency with some assistance to small businesses to reimburse costs of business interruption caused by required closures due to the County's public health orders:

	Item/Expenditure	Amount
First Tranche: County Response	County purchases coded to COVID-19 since March 1, 2020 (IT equipment, PPE, sanitizing materials, etc.)	\$184,810
	Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions (approximately 88 employees)	\$162,300
	Expanded testing in the County (PCR & Antibody)	\$268,500
	First half of PPE and equipment (signage, barricades, facilities) expenditures for mass vaccinations and drive-thru clinics	\$300,000
	Contact tracing	\$260,000
	Quarantine facility (for individuals who can't self-isolate)	\$40,000
	IT upgrades to improve telework capabilities for public employees (cellular gateway & fiber at Fairgrounds)	\$146,000
	PPE for County functions and first responders	\$60,000
	Communications related to COVID-19 health orders	\$100,000
First Tranche: Community Assistance	Rent and mortgage relief and utilities payments for small businesses	\$400,000
	PPE and sanitizing materials for local businesses	\$57,985
TOTAL:		\$1,979,595
Future Tranches: Community Assistance	Additional rent, mortgage or lease payments for small businesses	\$2,584,191
	PPE and sanitizing materials for vulnerable populations living in Summit County	\$100,000
Future Tranches: County Response	Public safety expenditures (fire districts and law enforcement)	\$300,000
	Projected purchases coded to COVID-19	\$100,000
	Projected payroll not covered by Health Department grant	\$350,000
	PPE for County functions	\$50,000
	Second half of PPE and equipment for mass vaccinations and drive-thru clinics	\$400,000
	EOC equipment for two centers (2 conference phones, 10 laptops, 6 desk phones, service for the phones, zoom licenses, misc. cords)	\$25,000
	Communications related to COVID-19 health orders	\$50,000
TOTAL:		\$3,959,191

Timeline

There is a funding agreement counties and cities must sign with the state in order to receive the funding allocations. The County sent this agreement to cities on June 8, 2020.

All counties and municipalities have until November 30, 2020 to expend the CARES Act monies provided by the state. Any funds not expended on eligible expenditures on or before November 30, 2020, must be returned to the state. This timeline is to ensure the state has time to reallocate and expend the funds before they expire on December 30, 2020.

Entities have the option of petitioning the state to retain allocated but unspent funds after November 30th.

Reporting Requirements

The CARES Act funds the state is allocating to municipalities are subject to the single audit and internal controls state statutes, meaning most likely use of the grants will be audited by the state. As such, it becomes extremely important to track and document all expenditures, ensuring no duplication is occurring and every dollar is spent on eligible items and activities.

If the state audit findings determine that any funds were expended in violation of CARES Act requirements, the municipality will be required to repay those funds to the state. If the state is forced to repay the funds because a recipient is unwilling or unable to repay the funds, the amount paid by the state will become a past due obligation of the county or city to the state and may be collected as such.

Counties and cities are required to retain documentation related to any uses of the funds, including but not limited to invoices, sales receipts, and payroll expenditures. Any subgrants made by the municipality shall similarly require, as a term of the grant, that the subgrantee retain documentation and shall produce such documentation to the County and the state upon request.

Counties and cities are also required to report expenditures in the quarterly data upload to the Transparent Utah site.