

# CITY OF CHARLOTTESVILLE, VIRGINIA. CITY COUNCIL AGENDA.



Agenda Date:	December 21, 2020.
Actions Required:	(1) Resolution, and (2) Appropriation (1 <sup>st</sup> of 2 readings).
Presenter:	Chris Cullinan, Director of Finance.
Staff Contacts:	Chris Cullinan, Director of Finance. John C. Blair, Acting City Manager.
Title:	<b>Close Out of Coronavirus Aid, Relief, and Economic Security (CARES) Act Funds and Appropriation of Interest Income.</b>

## **Introduction:**

This agenda item serves to close out the City’s share of Coronavirus Aid, Relief, and Economic Security (CARES) Act Funds to state and local governments by the required deadline of December 30, 2020.

This close out requires City Council to take the following actions:

1. To adopt a resolution reallocating funds not spent in the funding categories for which they were originally appropriated; and
2. To appropriate approximately \$7,000 of interest income earned while the CARES funds were in the City’s account.

## **Background:**

The City received approximately \$8.2 million from the Commonwealth of Virginia as part of the Coronavirus Relief Funds (CRF) to local governments made available through the CARES Act. The City received these funds in two, equal tranches of \$4.1 million in June and August of 2020. The Commonwealth distributed these funds to local governments based on population.

Expenses related to the City’s direct response to the pandemic were eligible for CARES funding. Additionally, “second order” effects of the pandemic are eligible, including business disruption funding and other economic support to those impacted economically. Guidance from the US Treasury Department specifically prohibits the use of CARES/CRF funding to offset any losses of revenue incurred by the City

The general guidelines for potential uses of CARES funds include expenditures that:

- Are necessary expenditures incurred due to the public health emergency with respect to the

Coronavirus Disease 2019 (COVID-19);

- Were not accounted for in the budget most recently approved as of March 27, 2020 for the locality; and
- Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

City Council appropriated the funds into several funding categories and a contingency reserve fund to mitigate the impacts of COVID on various aspects of our community and organization:

<i>Funding Category</i>	<i>Round 1</i>	<i>Round 2</i>	<i>TOTAL</i>
Business Support	\$825,000	\$825,000	\$1,650,000
Community Support	\$654,000	\$1,054,000	\$1,708,000
Employee Support	\$420,000	\$381,876	\$801,876
Technology	\$636,000	\$377,400	\$1,013,400
Operational Modifications	\$1,164,000	\$1,275,000	\$2,439,000
Contingency Reserve	\$424,476	\$210,000	\$634,476
<b>TOTAL</b>	<b>\$4,123,476</b>	<b>\$4,123,276</b>	<b>\$8,246,752</b>

City staff have been utilizing these funds expeditiously over the past several months to address the needs of our community and meet the December 30, 2020 deadline.

When City Council appropriated each of the tranches, staff committed to come back prior to the December 30, 2020 deadline with any unspent funds and a recommendation on how to fully utilize the funds within the guidelines of the program.

**Discussion:**

As shown in the table below, approximately \$7.3 million is anticipated to be incurred by December 30, 2020. The projected balance of unspent funds and accrued interest totals approximately \$921,500.

<i>Funding Category</i>	<i>Funding Amount</i>	<i>Anticipated to be Incurred by 12.30.2020</i>	<i>Projected Balance</i>
Business Support	\$1,650,000	\$1,646,446	\$3,554
Community Support	\$1,708,000	\$1,708,000	\$0
Employee Support	\$801,876	\$372,574	\$429,302
Technology	\$1,013,400	\$886,428	\$126,972
Operational Modifications	\$2,439,000	\$2,180,725	\$258,275
Contingency Reserve	\$534,476	\$438,056	\$96,420
Employee Assistance Program	\$100,000	\$100,000	\$0
<b>TOTAL</b>	<b>\$8,246,752</b>	<b>\$7,332,229</b>	<b>\$914,523</b>
Accrued Interest Income (projected)			\$7,000
<b>TOTAL FOR REALLOCATION</b>			<b>\$921,523</b>

Note: the final numbers for the amounts incurred by December 30, 2020 and the projected balance are subject to change as there are still several days remaining during which funds can be utilized. However, the figures above are not expected to change significantly and are reasonable projections.

**Recommendation:**

Staff is recommending the remaining funds be used to partially reimburse the City for a portion of previous public safety payroll costs for the Police Department, Fire Department, and Sheriff’s Office COVID-19 mitigation efforts since July 1, 2020 (the current Fiscal Year 2021). This use an allowed use of CARES funds per the following guidance from the US Treasury Department:

*The Fund (US Treasury’s Coronavirus Relief Fund) is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency.*

As of the date of this memo, the City has spent a total of \$11.5 million in payroll expenses for the Police Department, Fire Department, and Sheriff’s Office since July 1, 2020. The reallocation of CARES funds would cover approximately 8% of this total.

This recommendation:

1. Ensures the City will fully incur all of the CARES funds allocated by the December 30, 2020 deadline within the guidelines of the program.

2. Provides the General Fund budgetary relief and capacity in the current fiscal year.

**Budgetary Impact:**

The use of CARES funds to reimburse the General Fund for previously incurred public safety payroll expenses will result in the reclassification of these expenses from the General Fund to the CARES account in the Grants Fund. This will result in additional budgetary capacity in the General Fund in the current fiscal year.

**Alignment with Council Vision Areas and Strategic Plan:**

This resolution aligns with Goal 4 of the Strategic Plan, to be a well-managed and successful organization.

**Recommendation:**

Staff recommend that Council approve the attached resolution.

**Alternatives:**

Amend the Recommendation while maintaining compliance with the timeline and guidelines of the CARES Act.

**Attachments:**

1. Resolution.
2. Appropriation of accrued interest income.

**RESOLUTION**

**Coronavirus Aid, Relief, and Economic Act (CARES) Funds – Allocation of Unspent Funds**

WHEREAS, the Charlottesville City Council appropriated \$8,246,752 of Coronavirus Aid, Relief, and Economic Act (CARES) funds to be spent on a number of initiatives to mitigate the impacts of COVID 19 on the community; and

WHEREAS, CARES funds are required to be incurred by December 30, 2020 or be returned to the Commonwealth; and

WHEREAS, the City will have unspent CARES funds it desires to fully incur by the December 30, 2020 deadline; and

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Charlottesville, Virginia that the balance of unspent CARES funds as of December 30, 2020 be allocated to public safety payroll expenses related to COVID-19 mitigation efforts incurred by the City since July 1, 2020 (an eligible use under the CARES Act).

**APPROPRIATION**  
**Interest Accrued on Coronavirus Aid, Relief, and Economic Act (CARES) Funds**  
**\$7,000.00**

WHEREAS, the City has accrued interest income in the amount of approximately \$7,000.00 on Coronavirus Aid Relief and Economic Security (CARES) Act funds allocated to the City address the COVID-19 pandemic;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Charlottesville, Virginia that the following amount of accrued interest (or the actual amount earned as of December 30, 2020) is hereby appropriated in the following manner which conform with the conditions and guidance established by the Commonwealth, U.S. Treasury, and the City:

**Revenue**

\$7,000.00                      Fund: 208              Cost Center: 9900000000              G/L Account: 450010

**Expenditures**

\$7,000.00                      Fund: 208              Order: 1900353                              G/L Account: 599999