



OFFICE OF THE CITY MANAGER
(757) 385-4242
(757) 427-5626 FAX

City of Virginia Beach

VBgov.com
MUNICIPAL CENTER
BUILDING 1, ROOM 234
2401 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9001

June 12, 2020

The Honorable Robert M. Dyer, Mayor
Members of City Council

Subject: CARES Act – Proposed Allocation

Dear Mayor and Council Members:

On June 1, the City of Virginia Beach received \$39.3 million from the Commonwealth for the City's portion of the *Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020*. On Tuesday, June 16, Alice Kelly, Director of Finance, will present the attached briefing on the CARES Act which includes a proposal for allocation of these funds. The use of funds will include reimbursement of current and future City costs related to public health and medical expenses, implementation of safety measures, salary reimbursements, and expanded efforts of local economic support to residents and businesses of Virginia Beach.

A copy of the advertisement for the June 23 public hearing is attached for your reference. This advertisement will be published on June 14 in *The Virginian Pilot*.

If you need additional information, please contact me or Deputy City Manager David Bradley.

Respectfully,

Thomas M. Leahy, P.E.
Acting City Manager

Attachments (2)

c: David A. Bradley, Deputy City Manager
Alice M. Kelly, Director of Finance

PUBLIC HEARING

Appropriation of CARES Act Funding

On Tuesday, June 23, 2020, at 6:00 p.m. in the City Council Chamber on the second floor of the City Hall Building, 2401 Courthouse Drive, Virginia Beach, Virginia, the Virginia Beach City Council will hold a Public Hearing on a proposed amendment to its Operating and Capital Budgets that exceeds 1%. This amendment is to appropriate \$39,258,497 in funding received by the City from the CARES Act. The proposed use of funds will include reimbursement and future costs related to public health and medical expenses, implementation of safety measures, salary reimbursements and for expanded efforts of local economic support. The City Council will receive a public briefing on the use of CARES Act funding at its June 16, 2020 informal session, and detailed information as to the use of CARES Act funds on the City's website at _____ .

Any citizen wishing to make comments virtually during the public hearing should follow a two-step process provided below:

- Register for the WebEx at:

<https://vbgov.webex.com/vbgov/onstage/g.php?MTID=e6a7df1533c3ed0ad4d282709e13a69dc>

- Register with the City Clerk's Office by calling (757) 385-4303 or via email at ABarnes@vbgov.com prior to 5:30 p.m. on June 23, 2020

If you are physically disabled or visually impaired and need assistance at this meeting, please call 385-4303. Hearing impaired, TDD – 711.

Amanda Barnes, MMC
City Clerk

Beacon, Sunday, June 14, 2020



CARES ACT

PROPOSED ALLOCATION

Alice Kelly, Director of Finance
Kevin Kielbasa, Principal Accountant

June 16, 2020

CARES Act - Coronavirus Aid, Relief, and Economic Security Act

▶ Key Elements

- ▶ Provided \$2.2 trillion to support the government's response and help businesses and individuals
 - ▶ "Economic Stabilization Fund"
 - ▶ Low-interest small business loans with potential forgiveness
- ▶ Payments to individuals up to \$1,200 (subject to income limits)
- ▶ Unemployment
 - ▶ An additional \$600 per week for those receiving unemployment benefits through July 31
 - ▶ Up to 39 weeks of pandemic unemployment benefits through Dec. 31, 2020

CARES Act - Coronavirus Aid, Relief, and Economic Security Act

- ▶ Key Elements *(cont'd)*
 - ▶ \$150 billion for aid to state, local, and tribal governments
 - ▶ Coronavirus Relief Fund (CRF)
 - ▶ \$30.8 billion Education Stabilization Fund
 - ▶ \$3 billion in flexible funding for states
 - ▶ Offered temporary relief to banks and credit unions

CARES Act: Treasury Guidance on CRF

- ▶ Key Provisions for State & Local Governments/Recipients:
 - ▶ Use of CRF Funds - Section 601(d) of the Social Security Act
- ▶ Qualifications:
 - ▶ The costs incurred are necessary expenditures due to COVID-19
 - ▶ The expenditures were not accounted for in the budget most recently approved as of the date of enactment
 - ▶ Expenses were incurred from March 1, 2020 through December 30, 2020
- ▶ Certification
 - ▶ In order to receive payment, local governments shall provide the Secretary a certification signed by the local government's Chief Executives that the use of funds are proper

CARES Act: Treasury Guidance on CRF

- ▶ Code of Federal Register - Title 2 Part 200
 - ▶ Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Grant Guidance - UGG)
- ▶ OMB Memorandums M-20-11, M20-17, M20-21
 - ▶ Core Principles
 - Mission Achievement
 - Expediency
 - Transparency and Accountability
- ▶ Treasury guidance/FAQ's issued on April 22, 2020; May 4, 2020; May 28, 2020
 - ▶ Provides explanation of:
 - What are necessary expenditures "due to" the crisis?
 - What are "costs not accounted for in the most recent budget"?
 - What are costs "incurred"?

CARES Act: Treasury Guidance on CRF

1. What are necessary expenditures “due to” the crisis?
 - Include costs to respond directly and to respond to “second-order effects” (e.g., providing support to those suffering from employment or business interruptions)
 - Funds may not be used to fill revenue shortfalls
 - “Necessary” is based on the judgment of responsible government officials
2. What are “costs not accounted for in the most recent budget”?
 - Costs must be new; i.e., were not included in a line item, within that budget or is for a substantially different use
3. “Most recently approved” budget is the enacted budget
 - Does not include subsequent supplemental appropriations made in response to COVID-19
4. What are “incurred” costs?
 - Incurred when funds are **expended** to cover the cost

CARES Act: Treasury Guidance on CRF

- ▶ Categories and Examples of Eligible Expenditures
 1. Medical expenses
 - Hospitals, clinics and similar facilities
 - Temporary medical facilities to increase treatment capacity
 - Testing
 - Emergency response expenses, including transportation
 - Establishing and operating public telemedicine capabilities

CARES Act: Treasury Guidance on CRF

▶ Categories and Examples of Eligible Expenditures *(cont'd)*

2. Public Health expenses

- ▶ Communication and enforcement of public health orders
- ▶ Acquisition and distribution of protective supplies to police officers, social workers, child protective services, etc.
- ▶ Disinfection of public areas
- ▶ Quarantining individuals

3. Payroll expenses

- ▶ Public safety, public health, human services employees whose services are substantially dedicated to COVID-19 and other employees dedicated to mitigating or responding to the public health crisis

CARES Act: Treasury Guidance on CRF

- ▶ Categories and Examples of Eligible Expenditures *(cont'd)*
- 4. Compliance with Public Health measures expenses
 - Food delivery to vulnerable populations (e.g., senior citizens)
 - Improvements to telework capabilities for public employees
 - Paid sick, family and medical leave to public employees
 - Care for homeless populations
- 5. Economic support expenses
 - Expenditures related to provisions of grants for small businesses to reimburse the costs of business interruption caused by required closures
 - Unemployment insurance costs (if such costs not covered by other parts of the CARES Act or otherwise)
- 6. Other expenses
 - Any other expense reasonably necessary to the function of government that meet the eligibility criteria

CARES Act: Treasury Guidance on CRF

Examples of *Ineligible* Expenditures

- Expenses for the state share of Medicaid
- Damages covered by insurance
- Payroll or benefits for employees not substantially dedicated to responding to COVID-19
- Expenses reimbursed by other parts of the Act
- Workforce bonuses other than hazard pay or overtime
- Severance pay

CARES Act: Treasury Guidance on CRF

Select Q&A from the CRF FAQs dated May 28, 2020

- ▶ Do governments have to return unspent funds?
 - ❑ Yes, for funds that have not been used on costs incurred by December 30, 2020
- ▶ May funds be used to provide emergency individual assistance
 - ❑ Yes, if a government determines such assistance to be a necessary expenditure
- ▶ May Fund payments be used to assist impacted property owners with the payment of their property taxes?
 - ❑ No
- ▶ May recipients use Fund payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?
 - ❑ Yes, this would be an eligible expense if the government determined that the costs of such employment and training programs would be necessary due to the public health emergency.



CORONAVIRUS RELIEF FUNDING (CRF)

CITY OF VIRGINIA BEACH

Considerations

- ▶ Revenue Impacts still uncertain
- ▶ Future expenses are estimated
 - ▶ Determining eligibility and gathering/analyzing documentation
- ▶ Length of economic crisis
- ▶ Additional Guidance is still forthcoming

CITY OF VIRGINIA BEACH

Approach

1. Determine current and estimated City expenditures
2. Review with other localities, attorneys and auditors to assist in interpreting guidance and best practices
3. Develop framework for appropriation to allow for contingencies and some flexibility but to meet spending deadlines

Continual planning and revisions will be needed

CITY OF VIRGINIA BEACH

CARES FUNDING AWARDED TO DATE

CARES - CRF - Local funding	\$39.3 Million
CARES - HUD - Housing Assistance	3.5 Million
CARES Coronavirus Emergency Supplemental Funding Program, based on Byrne/JAG formula)	.3 Million
CARES - Schools Elementary and Secondary School Emergency Relief (ESSER) Fund (portion to private schools)	10.1 Million

CITY OF VIRGINIA BEACH

Recommended Timeframe

▶ June 30

- ❑ Accept \$39.3 million of revenue
- ❑ Based on City Council approval, appropriate \$29.3 million for expenses and relief programs through Sept 30; Place \$10 million in reserves for later date
- ❑ *Add Federal Expenditures to SEFA for external audit*
- ❑ *Create/maintain CARES website*

▶ Mid - September

- ❑ Review FY 2020 revenues and actual COVID19 expenses
- ❑ Determine expenses and further relief programs needs
- ❑ Appropriate remaining \$10.0 million

▶ *By Dec 30*

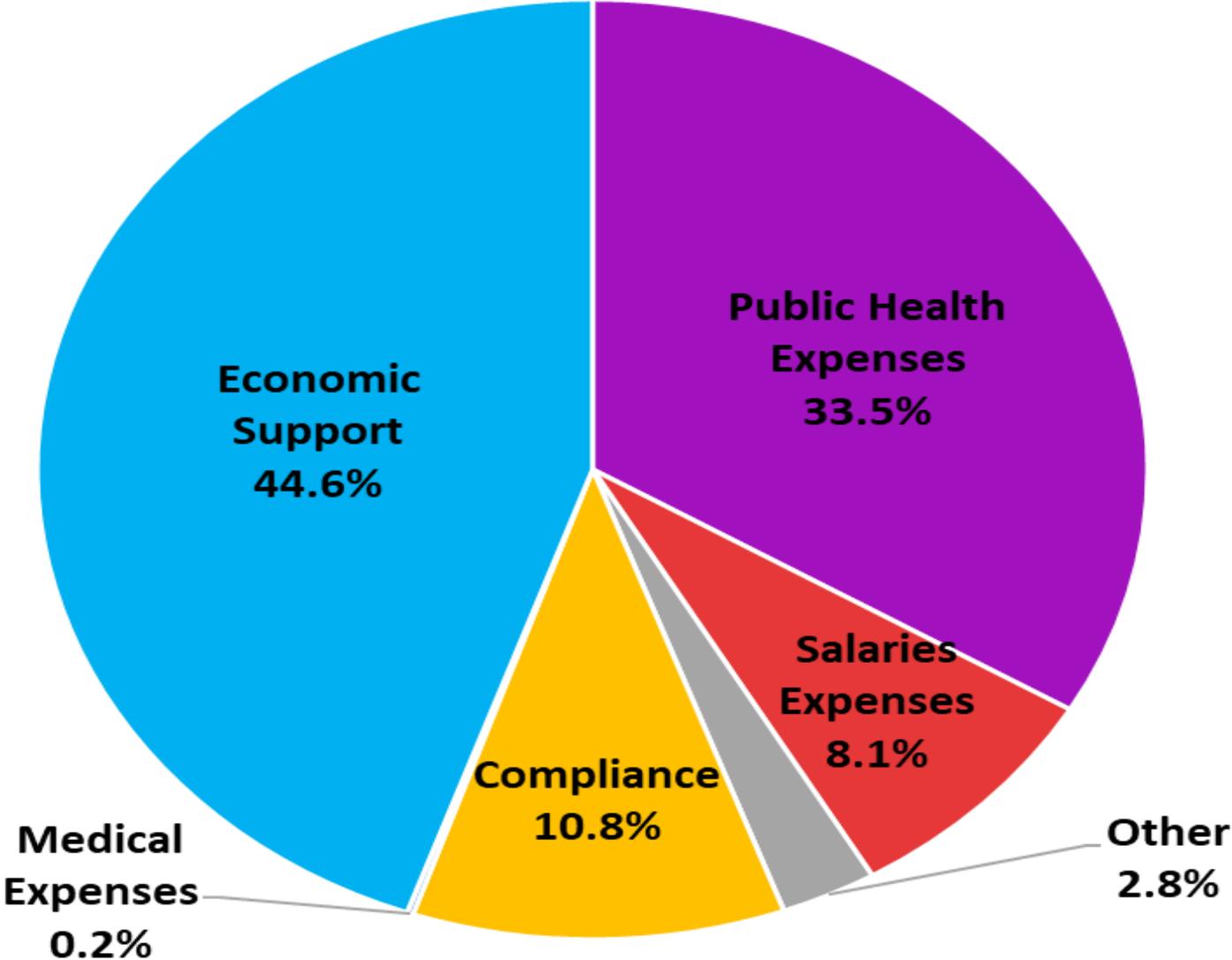
- ❑ *Pay for eligible expenses*
- ❑ *Return any unused funds to State*

City of Virginia Beach

CARES Funding Estimated Expenditures Eligible for Reimbursement

	Category	March thru May 30	Estimated thru December 30	Estimated Total
1	Medical Expenses (COVID Testing, Supplies)	\$ 70,187	\$ -	\$ 70,187
2	Public Health Expenses (PPE, Disinfection, Quarantining)	389,405	12,775,120	13,164,525
3	Salaries	2,167,490	1,000,000	3,167,490
4	Compliance with Public Health Measures (Inmate, Homeless, Telework)	1,381,123	2,875,172	4,256,295
5	Economic Support - new	-	17,500,000	17,500,000
6	Contingency / other	450,000	650,000	1,100,000
		\$ 4,458,205	\$ 34,800,292	\$ 39,258,497

CARES Funding - Estimated Expenditures by Type



Appropriation Timing

Category	<u>From 6/30 to 9/30</u>	<u>From 10/1 to 12/30</u>	<u>Total</u>
Medical Expenses (COVID Testing, Supplies)	\$ 70,187	\$ —	\$ 70,187
Public Health Expenses (PPE, Disinfection, Quarantining)	10,164,525	3,000,000	13,164,525
Salaries	2,367,490	800,000	3,167,490
Compliance with Public Health Measures (Inmate, Homeless, Telework)	2,156,295	2,100,000	4,256,295
Economic Support - new	14,500,000	3,000,000	17,500,000
Contingency / other	-	1,100,000	1,100,000
	\$ 29,258,497	\$ 10,000,000	\$ 39,258,497

Economic Development Support Programs - Individual Relief

- ▶ Assistance Programs managed by COVB
 - ▶ Housing
 - ▶ Utility Assistance
 - ▶ Human Services
- ▶ Workforce Training
 - Work with TCC and VWU to assist residents facing long term furlough with re-tooling for sectors in our community
 - Program will run out of the HIVE in Town Center so training can be integrated with Small Business Assistance and Recovery efforts
- ▶ Non Profits
 - Same process as Community Organization Grants
 - Provide support to Non-profits that support COVID relief
- ▶ Total CARES Funding for Individual Relief - \$8.3 million

Economic Development Support Programs - Business Relief

- ▶ **Small Business Personal Protective Equipment (PPE)**
 - ❑ Purchase of PPE by businesses
 - ❑ Cover Unexpected costs for businesses for PPE
 - ❑ Receipts required

- ▶ **Adapting Workspace for Businesses**
 - ❑ Adapting workspace to accommodate new safety requirements
 - ❑ Money would be awarded based on costed construction documents. It would be paid on submission of receipts or paid invoices.

- ▶ **Total CARES funding for Business relief - \$9.2 million**

Economic Support for COVID - City and CARES

	<u>City</u>	<u>CARES - CRF</u>	<u>CARES - HUD/Other</u>	<u>Total</u>
Individual				
Taxpayer Assistance	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Human Services	-	3,000,000	-	3,000,000
Public Utilities	4,000,000	1,000,000	-	5,000,000
Housing	-	500,000	4,600,000	5,100,000
Workforce Training	-	2,000,000	-	2,000,000
Non profits	-	1,800,000	-	1,800,000
Meals tax holiday	3,000,000	-	-	3,000,000
Total Individual Relief	\$ 9,000,000	\$ 8,300,000	\$ 4,600,000	\$ 21,900,000
Business				
EDIP Rent Utilities	1,500,000	-	-	1,500,000
Small Business PPE	-	3,000,000	-	3,000,000
Adapting workspace	-	6,200,000	-	6,200,000
Total Business Relief	1,500,000	9,200,000	-	10,700,000
Total Economic Support	\$ 10,500,000	\$ 17,500,000	\$ 4,600,000	\$ 32,600,000

Next Steps

- ▶ By June 30
 - ▶ Public Hearing on June 23
 - ▶ Based on City Council's approval, appropriate \$29.3 million for expenses and relief programs through Sept 30 by category
 - ▶ Add Federal Expenditures to SEFA for audit
 - ▶ Create website www.vbgov.com/government/departments/finance/cares-act/Pages/default.aspx
- ▶ By mid - September
 - ▶ Review FY 2020 revenues and actual COVID19 expenses
 - ▶ Determine expenses and further relief programs needs
 - ▶ Appropriate remaining \$10 million
- ▶ By Dec 30
 - ▶ Pay for eligible expenses/Return any unused funds to State

APPENIDICES

- ▶ By Category - breakdown of expenses

APPENIDICES - Categories Broken Down

City of Virginia Beach						
Cares Funding Estimated Expenditures Eligible for Reimbursement						
Category		SPC 1199 Mar thru May 30		Estimate Thru Sept 30	Estimate thru December 30	Estimated Total
1 Medical Expenses (COVID Testing, Supplies)		\$ 70,187		\$ 70,187	\$ -	\$ 70,187
2 Public Health Expenses (PPE, Disinfection, Quarantining)		389,405		12,775,120	12,775,120	13,164,525
Temporary Cleaning Services	33,543			1,384,193		
Cleaning Supplies	67,582			1,873,903		
Personal Protective Equipment - PPE	218,442			1,655,000		
HVAC Enhancement				2,540,000		
Facilities Management Support				2,806,750		
PPE for Volunteer Rescue Squads	19,500					
Communication costs	5,869					
Resort Area Advertising				2,515,274		
Quarantining Individuals	44,469					

City of Virginia Beach

Cares Funding Estimated Expenditures Eligible for Reimbursement

Category		SPC 1199 Mar thru May 30		Estimate Thru Sept 30	Estimate thru December 30	Estimated Total
3 Salaries Expenses (FT,PT and OT)		\$ 2,167,490		\$1,800,000	\$1,000,000	\$3,167,490
4 Compliance with Public Health Measures (Inmate, Homeless, Telework)		1,381,123		2,875,172	2,875,172	4,256,295
Homeless Protection	63,652					
Inmate Protection	5,732					
PHE Training	1,440		4,600			
Resident Support	1,858					
Telework	1,058,441		479,824			
Public Health Leave	-		-			
Beach Ambassador Program	250,000		2,390,748			

City of Virginia Beach

Cares Funding Estimated Expenditures Eligible for Reimbursement

Category		Estimated Total
5	Economic Support	\$ 17,500,000
	Ind - Human Services - SNAP/ other assistance programs	3,000,000
	Ind - Public Utilities -Additional Assistance	1,000,000
	Ind - Housing Assistance additional	500,000
	Bus - Economic Development - Workforce Training	2,000,000
	Bus - Economic Development - Small Business PPE	3,000,000
	Bus - Economic Development -Adapting workplace	6,250,000
	Non profit - Community Organization Grants (COG) - Non-Profits/ Cultural Arts	1,750,000
6	Other	1,100,000
	Contingency	550,000
	Waste Management - Increase in Workload	450,000
	Total (Categories 1 through 6)	\$ 39,258,497