



Legislation Text

File #: 20-393, **Version:** 1

Report Prepared by: Stephanie Dietz, Acting City Manager and Venus Rodriguez, Finance Officer

SUBJECT: Approval to Accept Coronavirus Relief Funds from the State of California Department of Finance up to the Allocated Amount of \$1,088,029, Appropriating \$144,014 to Cover Expenditures Due to COVID-19 in Fiscal Year 2020-2021, and Approval of Policy Items Implemented During the COVID-19 Declared Local Emergency

REPORT IN BRIEF

Approving the acceptance of Coronavirus Relief Funds from the State of California Department of Finance up to the allocated amount of \$1,088,029, appropriating \$144,014 to cover expenditures due to COVID-19. In addition, this item seeks the Council's approval on two policy items implemented during the COVID-19 declared local emergency.

RECOMMENDATION

City Council - Adopt a motion:

- A. Approving the acceptance of up to \$1,088,029 in Coronavirus Relief Funds from the State of California Department of Finance; and,
- B. Approving an appropriation in the amount of \$144,014 in order to cover COVID-19 expenditures in Fiscal Year 2020-2021; and,
- C. Approving the allocation of compensated time off (CTO) hours in the amount of \$537,805 to Essential Employees in Fiscal Year 2019-20; and,
- D. Approving the Administrative Leave paid hours in the amount of \$655,406 to City employees due to the closure of City Hall and other City facilities in Fiscal Year 2019-20; and,
- E. Authorizing the Finance Officer to make any necessary budget adjustments necessary.

ALTERNATIVES

- 1. Approve, as recommended by staff; or,
- 2. Approve subject to other than recommended by staff (identify specific findings and or conditions amended to be addressed by City Council motion); or,
- 3. Deny; or,
- 4. Refer back to staff for reconsideration of specific items (specific items to be addresses in the motion); or
- 5. Continue to a future meeting (date and time to be specified in the motion).

AUTHORITY

Merced City Charter, Section 1105 and MMC section 8.20.080.

CITY COUNCIL PRIORITIES

City Council ratified Local Emergency due to COVID-19 on March 16, 2020 with Resolution 2020-10.

DISCUSSION

Background

The novel coronavirus outbreak began in Wuhan China in 2019 and spread across the globe and into the United States. As of 3:30 p.m. Friday, July 24, 2020, there are 3,245 positive cases of COVID-19 in Merced County, with 27 deaths, and 428,689 positive cases in California with 8,187 deaths.

Friday, March 13, 2020, the President of the United States declared a national emergency due to the outbreak. Also, on Friday, Merced County declared a state of emergency. This followed the March 4, 2020 state of emergency that was declared by Governor Newsom. The City of Merced City Manager also declared a local emergency as the Director of Emergency Services. On May 18, 2020, the City of Merced City Council ended the local emergency declaration for the City of Merced although financial impacts have continued due to the increase in COVID-19 spread in Merced County and continuous modified business operations put in place by Governor Newsom.

Coronavirus Relief Funds

The Federal Government allocated Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to states and only to cities with a population over 500,000 in order to help with the financial impacts due to COVID-19. Cities with a population less than 500,000 were not automatically allocated funding but were reliant on states to allocate a local share of any of the federal allocation. In July, cities were informed by the State of California that they would distribute \$500 million of CARES Act funding through a local allocation to counties and cities. Through this action, the City of Merced was allocated \$1,088,029 and was required to submit a certification of interest in receiving the funds by July 10th or else funding would be forfeited. Funding is contingent on adherence to Federal guidance, the state's stay-at-home requirements, and other health requirements as directed by the Governor, any subsequent executive orders or statutes, and all California Department of Public Health orders, directives, and guidance issued in response to COVID-19 public health emergency. In an effort to preserve the City's ability to receive funding, the City submitted the certification of interest in receiving the funds by the required deadline. We are seeking direction from the Council on the proposed expenditure plan.

The local allocation will be funded in six installments. The City will initially be given three installments by September 1, 2020, equaling \$544,014. In order to receive the remaining allocation, a COVID-19 expenditure report for expenses already incurred and an expenditure plan for the remaining funds is due to the State by September 1, 2020. If the plan is approved by the State, the City will be given the remaining three installments. Should the State determine expenditures are ineligible, repayment of funds will be required for reallocation to other local municipalities. Eligible expenses need to be incurred between March 1, 2020 and December 30, 2020, necessary due to the COVID-19 public health emergency, and not accounted for in the approved budget, except COVID-19 related supplemental appropriations or budget adjustments. The CARES Act does not allow backfilling of

lost revenue. The City is subject to state and federal reviews and/or audits and will be required to retain supporting documents for five years. The State will continue to release guidance as needed.

Eligible expenditures for the City of Merced include, but are not limited to:

- Emergency medical response and transportation
- Disinfection of public areas and other facilities
- Public Safety measures in response to COVID-19
- Substantially dedicated payroll expenses
- Staff that was “repurposed” to an “unbudgeted” function instead of laid off
- Overtime hours
- Telework capabilities for public employees
- Providing paid sick leave, paid family and medical leave to public employees
- Grants to small businesses for costs of business interruption
- Grant or financial assistance-payment of rent/mortgage to avoid eviction or for funeral expenses
- Unemployment insurance if not reimbursed by the federal government
- Hazard pay and overtime if substantially dedicated

Staff recommends seeking reimbursement, contingent on approval of the plan by the state, for the following:

Proposed Fiscal Year 2019-20 Actual Expenditures

- COVID-19 Supplemental appropriation approved of up to \$150,000
 - Medical supplies
 - Personal protective equipment (PPE)
 - Remote work software and hardware
 - Office supplies to support EOC
 - Cleaning Supplies
- Gift Bar stimulus of \$250,000
- Repurposing employees to COVID-19 functions/Overtime
 - Parks and Recreation employees repurposed to monitoring City Hall
 - Fire Department employees repurposed to COVID-19 tasks
- Paid sick leave, paid family and medical leave due to COVID-19

Proposed Fiscal Year 2020-21 Expenditures and Plan

- Information Technology overtime due to virtual Council and Commission Meetings-\$4,000
- COVID-19 Community Outreach Campaign \$20,000
- Unemployment Claims not reimbursed by the federal government- \$75,000
- Paid sick leave, paid family and medical leave due to COVID-19
- Disaster Service Worker CTO financial impact - Liability of \$505,500, estimated overtime and benefit impact of approximately \$320,000
- Medical supplies, personal protective equipment, and disinfecting services.

Not all expenditures are known at this time. Staff is working to complete the necessary calculations in order to report to the State by September 1st. If the total of these recommendations are less than

the allocation of \$1,088,029, the City Council could direct staff on how they would like the remaining funds to be programmed based on the eligible expenditures listed above.

During the declared local emergency, policies were implemented to allow for the continuity of City services and to maintain essential services to the citizens of Merced.

CTO Essential Hours

Many employees considered “essential” continued to report to their regular City site or an emergency work site during the COVID-19 pandemic. In appreciation for those employees’ efforts, the City offered a temporary COVID-19 Worker incentive plan.

The CTO incentive was for City of Merced employees who are required, by their department head, to report regularly to a work site and have direct contact with members of the public in order to assist the City in ensuring essential services were provided to the community without disruption.

Depending on the assigned hours worked, the essential worker would earn so many hours of CTO. For example, fire personnel assigned to a 24-hour shift earned 12 hours of CTO for every 56 regular hours actually worked at an approved City site. The CTO hours are required to be used by June 30, 2021 or they expire. They were not to be cashed out, sold back, or counted/credited towards years-of-service or carried over.

CTO hours were earned while the City’s emergency declaration was in place. From March 13, 2020 to May 18, 2020, the expense incurred, for CTO hours earned by employees designated as essential, was \$537,805.

Administrative Paid Leave

In an effort to comply with the Governor’s shelter in place orders, those employees considered to be “non-essential” were allowed to either work from home full-time or were asked to report to work on a modified schedule to allow for the implementation of appropriate social distancing measures. As not all assignments could be accommodated remotely, the decision was made to allow for employees designated as non-essential to be placed on paid administrative leave while not working. This policy decision resulted in an unanticipated expense of \$655,406. As these payroll expenses were accounted for as part of the FY 2019/20 budget process and did not directly support the local response to COVID-19, they are not eligible for CARES Act funding reimbursement. With this item, staff is seeking Council approval of the prior decision. Moving forward, accommodations necessary for childcare or wellness will be evaluated on a case-by-case basis, with consideration provided to allow for adjustments to daily schedules, modifying regular workday alternative schedules as permitted by approved memorandums of understandings, or by allowing working remotely for no more than 16 hours per week on a temporary basis as approved by the City Manager.

IMPACT ON CITY RESOURCES

The additional appropriation of \$144,014 is to cover IT overtime, community outreach campaign costs, unemployment claims, medical supplies, PPE, and disinfecting supplies and services. Reimbursement by the State will include expenditures from the prior fiscal year. Once actual expenses, the expenditure plan, and reimbursements are approved by the State and reconciled by

City staff we will come back to the City Council with an update and an additional appropriation request.

CTO Essential hours are to be taken as time off by June 30, 2021 or else will be forfeited. The fiscal impact is approximately \$320,000 in overtime and other benefits caused by any position that would take this time off that would need to be backfilled with overtime hours. Staff is recommending that funding be allocated in the expenditure plan to mitigate the impact of overtime to departmental budgets with staff designated as essential.

Administrative leave paid did not cause any additional financial impact as the payroll costs were budgeted and expected to be paid.

ATTACHMENT

1. Coronavirus Relief Funds Certification