
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: December 15, 2020
Re: CARES Act Spending Update

SUMMARY: The City of Unalaska received CARES Act funding (\$13,453,952); staff developed and is now working a spending plan to address City and community needs as a result of the pandemic. This plan is consistent with the Treasury Guidance and with City Council Resolution 2020-47.

PREVIOUS COUNCIL ACTION:

- May 26, 2020 – Approved Resolution 2020-37 receiving CARES Act grant award
- June 26, 2020 – Approved Resolution 2020-42 establishing formula for small business grants
- July 14, 2020 – Approved Resolution 2020-46 establishing amounts to be paid to local small businesses and not-for-profits
- July 14, 2020 – Approved Resolution 2020-47 establishing allocations of CARES Act spending (40% for grants, 50% for the City’s response/prevention; 10% contingency)
- July 28, 2020 – Approved two budget amendments related to CARES Act funding
- September 22, 2020 – Approved Resolution 2020-60 establishing the utility credit program for PCE eligible utility customers
- October 27, 2020 - Approved Resolution 2020-67 providing financial support to the UCSD, IFHS Clinic and Lions Club as well as support for a flu vaccine clinic

BACKGROUND: Generally speaking, CARES Act funds were to be used for the following purposes:

- Provide grant funding to City residents, businesses and not-for-profits negatively impacted by COVID-19 (Grants and Funding Support)
- Cover the cost associated with the City’s response to the Pandemic (Response)
- Cover costs associated with the prevention and anticipation of future COVID-19 related outbreaks (Prevention)

The City received \$13,453,952 in CARES Act monies from the Federal Government, passed through the State of Alaska. Based on the allocation method approved by Resolution 2020-47, CARES Act monies were to be spent as follows:

- Community support (local businesses, non-profits, residents).. \$5,381,581
- City response and prevention \$6,726,976
- Contingency \$1,345,395

DISCUSSION: In total, \$11,622,627 of CARES Act funding has been spent or encumbered to date. We are on track to spend the full \$13,453,952 of CARES Act funding by the end of the calendar year, as required. Staff has taken great care to ensure this is done in a way that is consistent with the Treasury Guidance and with City Council Resolution 2020-47. Below is an overview of the status of the spending.

Through November 30, 2020, the City has spent \$10,869,316 in CARES Act monies as follows:

Community support – local businesses & non-profits	\$5,718,589
Community support – utility credits	\$623,070
Response-related operating costs	\$1,198,916
Prevention-related project costs.....	\$275,955
Personnel costs incurred as a result of City Closure (March – May)	\$1,210,033
Response related personnel costs, Public Safety (3/1 to 6/30/20)	\$1,238,494
Response related personnel costs, Non-Public Safety	\$478,749
Personnel costs associated with federally mandated leave programs.....	\$125,510

Community Support and Contingency. Through November 30, 2020, the City has spent or allocated \$6,651,659 of the combined community support (40%) and contingency allocation (10%) totaling \$6,726,976 as outlined in Resolution 2020-47. This includes the allocated expenses associated with the utility credit program through the end of the calendar year. The utility credit program is expected to utilize approximately \$310,000 of CARES funding for the November 2020 billing cycle. Furthermore, the City has agreed to provide rental and utility credits to airport businesses for the period the airport was closed (mid-March to end of May) in the amount of \$81,930. Based on the recorded expenditures and planned credits, the amount originally allocated to community support and contingency will be exhausted.

City Response and Prevention. Through November 30, 2020, the City has spent or encumbered \$5,280,969 of the \$6,726,976 allocated in Resolution 2020-47. Additionally, it is expected that project and operating costs through December 30, 2020 will fully utilize the allocation approved by Council. It is estimated that the City will incur \$500,000 in payroll costs associated with the current City office closure and hunker down order. Based on that and the estimated remaining costs, the City expects to incur an additional \$810,317 related to their response and prevention. Significant costs related to the City’s Response and Prevention measures include: personnel costs incurred as a result of City closure (\$1,210,033), public safety personnel costs from March 1 to June 30, 2020 (\$1,238,494), initial emergency support for the clinic in anticipation of additional demands on their resources (\$500,000), response related personnel costs (\$478,749), library contract cancellation (\$223,662) and legal fees associated with health mandate updates and interpretation of COVID-19 related federal leave requirements (\$61,243). Additional items included in this area are: the isolation site, safety improvements to work spaces, cleaning supplies and related equipment.

As a result of the costs incurred and the estimated remaining costs, the City expects to incur an additional \$810,317 related to their response and prevention through December 30, 2020.

The primary projects currently in various stages of completion include:

- Improved Indoor Air Quality. Specifically, we are working to improve air quality in City buildings (City Hall, DPS, PCR, Library, Aquatics Center, DPW/DPU and the Powerhouse). Each building was evaluated and 3 Stage HEPA Air filtration systems were recommended to replace existing single stage air handling units in each of the above

buildings. The recommended filtration/disinfection system will reduce the airborne concentration of SARS-CoV-2 and other pathogens thus reducing the risk of transmission through the air (estimated cost of \$251,700).

- **Improved Technology Packages.** Specifically, we are working to implement an electronic timekeeping system (estimated cost of \$110,000) and a computer aided mass assessment program (\$105,000). The expectation is that by implementing these electronic systems, the City will be able to reduce the amount of paper shuffled between employees and/or City residents, thus minimizing the risk of future virus exposure.
- **Backup Generators.** Specifically, backup generators for City Hall, DPW and the Haystack Hill radio tower (estimated cost of \$218,000). Continued electrical service is critical to operate vital technical and communication systems. Additionally, loss of power when employees are on-site and working remotely (in the case of a health crisis, for example) would prohibit an employee to effectively utilize the city IT systems to complete their job tasks.

Public Safety personnel costs are allowable under the CARES Act, with no limitations. Initially, staff planned to treat these costs as filler to ensure that the City fully utilized the funding received. However, it became clear that at least some level of Public Safety personnel costs would be required to ensure all funds were utilized. Therefore, Public Safety personnel costs from March 1 through June 30, 2020 were charged to the grant. As we approach the end of the calendar year, further discussion will take place on what amount of Public Safety personnel costs from July 1 through December 30, 2020 will be needed to supplement other costs and ensure all funding has been expended. Currently, it is estimated that approximately \$630,000 will be available to allocate to Public Safety personnel costs.

FINANCIAL IMPLICATIONS: At this point, any unspent funds as of December 30, 2020 must be returned to the funding agency.

LEGAL: N/A

STAFF RECOMMENDATION: No formal action is required at this time. Staff will be presenting a concept on how to spend most of the remaining contingency funds in a separate memo.

PROPOSED MOTION: N/A

CITY MANAGER COMMENTS: I very much appreciate the dedication staff has demonstrated in monitoring the ever-changing Treasury Guidelines regarding the Cares Act funding, and for their efforts to ensure that we continue to meet those guidelines and implement a plan that is in keeping with Council's desired goals.