CARES Act Funding: City Allocation Plans, Grant Programs, and Questions

#WeGotThis Series

If you experience technical difficulties, please contact GoToWebinar support at 1 (833) 851-8340
CARES Act CRF Allocation Plans

Bruce Kimmel – September 2, 2020
Coronavirus Relief Funds in Minnesota

- Coronavirus Relief Fund (CRF) for State, Territorial, Local, and Tribal Governments is part of Federal CARES Act.
- State of Minnesota, Hennepin County, and Ramsey County received CRF distributions direct from U.S. Treasury.
- On June 25, Governor Walz announced plan to distribute $841.5M of State’s $2.2B to counties, cities, and townships.
  - Counties < 500,000 Population: $121.28 per Capita
  - Cities > 200 & Towns > 5,000: $75.34 per Capita
  - Towns between 200 and 4,999: $25 per Capita
CRF in Minnesota

• Local governments certify with MN DOR to receive CRF, then make eligible expenditures and report monthly to MMB.

• Through August 26, DOR had received certifications for $825.4M of the $841.5M total – with only $16.1M remaining.
  ✓ Final certification deadline: Tuesday, September 15

• **Cities must return unused CRF to home counties by 11/15.**
  ✓ Cities in Hennepin & Ramsey must send to eligible hospitals

• Counties must return unused CRF to State by 12/1.
CRF – Eligible Uses

• Federal guidelines provide wide range of possible CRF uses.

• Must satisfy three Federal tests of eligibility:

  1. Expenditure incurred due to the pandemic / public health emergency, used for actions taken to respond.

  2. Costs not accounted for in budget approved as of March 27.
     - Cost cannot be funded from existing budget line item; or
     - Cost is for “substantially different purpose” from expected use.

  3. Cost incurred in covered period of March 1 to December 30.*
     - * MN cities: Cost incurred and paid by November 15
CRF – Examples of Eligible Uses

• Up to 100% of “payroll costs for public safety and public health employees” (see U.S. Treasury guidance).
• Medical, public health, order enforcement expenses.
• Facility and workspace improvements, increased sanitation, technology required for remote work and meetings.
• Increased workers compensation, admin leave expenses.
• Sub-allocations to residents, businesses, nonprofits, joint powers agencies, other units of local government.
CRF – City Allocation Plans

• Decide on allocation between internal and external priorities.

• Internal: Identify documented eligible expenses through August, and also those expected through November 15?

• External: Business and nonprofit grant programs are common, also aid to school districts and joint powers agencies.

• Key Factor: Which potential allocation “buckets” can you actually empty (with documentation) by November 15?

• Have one or more “Plan B buckets” ready to re-allocate CRF this autumn, in event that original buckets aren’t emptied.
Minnesota MMB Guidance

- Document, Document, Document
- Work with City Auditor (pre-single Audit)
- Gain City Council Plan Approval
• Congressional Office
• City Attorney
• Federal Guidance: as a matter of administrative convenience...local government may presume that payroll costs for public safety employees are payments for services substantially dedicated to mitigating or responding to COVID-19 unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise
• Peer/LMC Review
• City Council Approval of Expenditure Plan
• Council Approval of each Allocation Submittal
• Reservation of Funds until approval of Federal Single Audit
Allocations - West St. Paul

- Police Department payroll (wage and benefit) currently allocating at 50% as conservative approach
- Business Grants at up to 10% of total allocation
- PPE, Sanitizing, teleworking/computers/server/telephone
- FMLA/Leaves
- Staff expense “substantially dedicated”
CARES Act Funding

Sharon Hanson, City Administrator
Lauren Deutz, EDA Director
Background

• $1,038,415 Received
• City Council Dedicated $500,000 for Business Grants
• Remaining $500,000 for City Expenses
• If More Need for Business Grants-Will Allocate
• EDA Board Approval-Business Grants
• City Council Reported Reimbursements
• Subject to Federal Single Audit-Auditor Guidance
• Finance Administrator Lead Staff
• November 15th Deadline
Allocations

- Staff Payroll
  - Police Department, HR, Administrator, Media Communications Specialist
- PPE, Barriers, IT
- CVB Safety Campaign
- $200,000 Submitted to MMB
- $175,000 Business Grants Approved
Business and Nonprofit Grant Programs

Bruce Kimmel – September 2, 2020
CRF – Business & Nonprofit Assistance

- Many cities have implemented programs using CRF to fund grants to local businesses and sometimes also nonprofits.
  - Grants are preferred by most entities since loan repayments must be returned to Treasury (no revolving loan opportunity).
- Local governments establish their own criteria, application, and documentation / disbursement processes.
- Cities encouraged to coordinate business programs with home county – to avoid overlap and/or gaps.
CRF – Grant Program Eligibility Criteria

• Grant program decision points:
  ✓ What types of businesses / nonprofits are eligible?
    ➢ Only those subject to State Executive Orders for closures and restricted capacity, or also others showing negative impact?
    ➢ Maximum size in terms of full-time equivalent employees?
    ➢ How long must they have been in operation in the community?
    ➢ Only businesses with physical presence, or also home-based?
    ➢ Can individuals owning multiple businesses apply for each?
    ➢ What types of businesses and nonprofits are ineligible?
CRF – Grant Program Logistics

• Grant program decision points:
  ✓ How much documentation of negative impact do you require?
  ✓ First come, first serve vs. common application deadline
  ✓ Maximum initial grant amount, potential second round?
  ✓ Eligible and ineligible expenses
  ✓ Reimbursement of past costs only, or also forward-looking?
  ✓ May applicants access other assistance programs, too?
GOALS

• Keep small businesses open/operating
• “Restart” the local economy
• Show support to small businesses
  • Who are you trying to reach?
• Pulse check /start the conversation
• Utilize CARES Act funding
CARES GRANT PROGRAM

- **Objective:** The Marshall CARES Grant Program will provide reimbursable grants of up to $5,000 to approved businesses across the city to pay for business interruption costs related to COVID-19.

- **Fund Size:** $500,000 ($1,038,415 total from CARES)

- **Grant Amount:**
  - (a) Up to $5,000 in reimbursable grant funding for 1-15 FTE Small Businesses.
  - (b) Up to $2,500 in reimbursable grant funding for 501 (c)3 and 501 (c)19 non-profit organizations.

- **Maximum of one grant per small business* or non-profit organization.**
  - All businesses may apply, but only one award per majority business owner.

- **Estimated small businesses (90) and non-profits (20): 110**

- **Not available to business that receive Minnesota Small Business Relief Grant.**
Located within City of Marshall

Existing small businesses and non-profits

Between 1 – 15 employees (only small businesses);
In operation since March 1, 2019;
Operating on March 1, 2020.

Negatively impacted by business interruptions since March 1, 2020 due to COVID-19.
Grant funds can be used to address business interruption costs, such as:

- Employee compensation (including wages and benefits)
- Equipment costs or rental
- Business inventory and purchases
- Rent or lease payments
- Working capital and other business critical operating expenses
- Expenses related to implementing reopening plan, etc.
- Employment and training programs for employees.
ROUND ONE: APPLICANTS

53 Applications

Applicant Breakdown

- Small Businesses: 39
- Non-Profits: 11
- Ineligible: 3

$225,500
Objective: The Marshall CARES Grant Program will provide reimbursable grants of up to $7,500 to approved businesses across the city to pay for business interruption costs related to COVID-19.

Fund Size: $500,000

Grant Amount:

(a) Up to $7,500 in reimbursable grant funding for 1-50 FTE Small Businesses.

(b) Up to $5,000 in reimbursable grant funding for 501 (c)3 and 501 (c)19 non-profit organizations.

Clauses Removed: Other funding stipulation, multi-ownership
Located within City of Marshall

Existing small businesses and non-profits
- Between 1 – 50 employees (only small businesses)
- In operation since Dec 1, 2019
- Operating on March 1, 2020.

Negatively impacted by business interruptions since March 1, 2020 due to COVID-19.
WHAT WE LEARNED

• One-on-one conversations
  • Phone or in person

• Provide a realistic deadline

• Be clear on your guidelines
  • BUT know when to flex

• Get information up front

• Double check expenses
Contact Information

Bruce Kimmel
Senior Municipal Advisor
Ehlers
bkimmel@ehlers-inc.com

Ryan Schroeder
City Manager
City of West St. Paul
rschroeder@wspmn.gov

Sharon Hanson
City Administrator
City of Marshall
sharon.hanson@ci.marshall.mn.us

Lauren Deutz
EDA Director
City of Marshall
lauren.deutz@ci.marshall.mn.us

Lisa Sova
Assistant Director of Finance-Outreach
League of Minnesota Cities
lsova@lmc.org

LMC Research Department
League of Minnesota Cities
https://www.lmc.org/contact/submit-a-question/
651-281-1200