



Legislation Text

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City of Alexandria, Virginia

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MEMORANDUM

**DATE:** APRIL 22, 2020

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**FROM:** MARK B. JINKS, CITY MANAGER /s/

**DOCKET TITLE:**

Consideration of Planning Direction for Use of Forthcoming Federal CARES Act Funding.

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**ISSUE:** What are the major COVID-19 pandemic impacts on the Alexandria community, what should the City government's response to those impacts be, and how should the City allocate the forthcoming Federal CARES Act funding?

**RECOMMENDATION:** That City Council:

1. Affirm that the prime priorities of the City for the use of CARES Act funding are for funding the City's direct response expenses to the COVID-19 crisis, the funding of the expansion of the Alexandria Health Department's epidemiological staffing, the funding of expanded residential rental assistance, food assistance to needy individuals and families, and the provision of assistance to small businesses; and
2. Direct the City Manager to return to Council at its May 12 Legislative Meeting with a plan for implementation of the above initiatives.

**BACKGROUND:** Since the onset of the COVID-19 virus pandemic, the City has been undertaking a series of actions and implementing plans (1) to protect the health of residents, workers and visitors to the City; (2) to mitigate the impact of COVID-19 on the community; (3) to assist those businesses with adjusting to a partial shutdown and then a stay-at-home directive, and (4) to assist those residents of the community who have lost their jobs and income and ability to feed their families. Much of the first months the City's focus has been on the health aspects of this crisis, as well as on immediate new health and economic issues that the City faces on a day-to-day basis. During this time period much has been accomplished, however there remains much to address in regard to the short and medium-term impacts of the shutdown large segments of our community. While the City put in place food distribution programs, and increased its emergency housing assistance grants, and

assisted businesses in many ways, there is far more to be done in addressing what may be the largest U.S. economic downturn since the Great Depression of the 1930's.

The quick fall into the abyss of this recession will not likely be see a quick recovery, but a long recovery due in part to the significant food service/visitor segment of Alexandria's economy that City has relied upon and which is now functioning at a low level, and may take more than a year to fully recover due in part to the potential for a long flattened curve run time for the current COVID-19 virus, the potential for a virus return during next Winter's flu season, as well as due to the tenuous financial condition of some of these businesses.

While the federal and state programs such as SNAP, Medicaid, Unemployment Compensation and TANF will assist some, there are many in the Alexandria community who are not documented and therefore are not eligible for federally funded benefits. In addition to individual residents, small businesses will also need assistance if they are going to reopen and be able to stay open. The conclusion, which is largely universally agreed to, is that more assistance will be needed, so the questions which need to be decided are how much assistance should be provided, and in what form that assistance should be provided.

The Mayor in his March 17 memo: "*COVID-19 RESPONSE & RECOVERY INITIATIVES*" to Council listed some 19 different items under the three umbrella categories of *Human Service Response*, *Small Business Rescue*, and *Municipal Finance*. Most of the items on this lengthy *Response and Recovery* list have been implemented (including the *Municipal Finance* items which were handled as part of the FY 2021 Proposed Budget Version 2.0 process), but there are three areas were staff believe that need to have much a much larger and sustained response. These areas relate to housing assistance, food assistance and small business assistance.

**RESIDENTIAL RENTAL ASSISTANCE:** One of the biggest financial needs that has been created by COVID-19 triggered high unemployment has been the inability of many City's 40,000 renters to pay their monthly rent. It is estimate that some 20% of rent could not be paid by renters in April with that number likely to increase to has high as 50% rent delinquency by June. While it appears that most landlords in the City have been following the Mayor's request made last month which asked for abatement of penalties, interest and the creation of payment plan options, the unpaid rent remains a major problem that is only going to grow as the impact of COVID-19 continues in the months ahead. City staff have been working on a rent assistance program for low income renters with the program currently being drafted and internally reviewed. This thinking about focusing on residential rental assistance is based in part on my memo to Council of April 22 (Attachment 2) which details the need and preference for rental assistance over homeowner assistance.

**SMALL BUSINESS ASSISTANCE:** In addition to individual economic impact of the COVID-19 virus, there has been a major impact on many Alexandria's businesses during this health crisis. Many small businesses have closed or have had their income greatly reduced due to the impact of the needed social distancing as well as the stay at home guidance. While the federal forgivable and non-forgivable SBA loans have been of assistance to many small and medium sized businesses, such assistance is not likely to be sufficient. As a result, the Alexandria Economic Development partnership has been surveying businesses and is currently working on three small business assistance concept options. These include disaster grants, matching grants for businesses to invest in improving their online sales capabilities, and reopening/restarting grants.

**FOOD ASSISTANCE:** Since the outbreak of COVID-19, the City through its partner agencies has been assisting with food distribution to needy individuals and families. This has included two allocations to ALIVE! totaling \$270,000, as well as two allocations totaling \$200,000 as challenge match funds for the ACT NOW COVID-19 Fund which has raised some \$539,000 in private donations to date with funding being allocated to non-profits who provide social services including food assistance. In addition, the City has partnered with

ACPS in assisting with the ACPS multi-site, multi-day per week food distribution program. Most recently, the City partnered with the World Central Kitchen organization in a meal distribution event in Arlandria. Since the beginning of March, the City has received and approved a flood of new applications for federal SNAP food benefits. As it is likely that the unemployment of service sector employees particularly in the hotel and restaurant sectors will remain high through the remainder of the Spring and the Summer, there will be an ongoing need to provide food to many City residents. DCHS and many of their non-profit partners are working on a long-term food assistance plan.

**FUNDING OF THESE INITIATIVES:** The federal CARES Act legislation that was approved and signed into law on March 27 included a Corona Virus Relief Fund with \$139 billion allocated to states with the intent that states then retain some of the funds and then also allocate some of these CARES funds to their local governments. Virginia has been allocated \$3.325 billion in total for state and local use. Large jurisdictions in the U.S., with populations of 500,000 or greater, can automatically receive 45% on a per capita basis from the allocation that was made to the states where those large jurisdictions are located. Fairfax County is the only such eligible jurisdiction in Virginia and can receive an automatic allocation.

The Mayor has written to Secretary of Finance Layne and indicated that all other Virginia localities should be allocated on a per capita basis at least the same 45% share. Fairfax County is eligible for about \$200 million, and if Alexandria receives the same 45% per capita share as Fairfax then the Alexandria amount would be approximately \$27 million. The Governor has indicated that Virginia's allocation will be made to localities on a per capita basis, but no indication to date has been given of the amounts to be allocated to localities. The City may know that allocation to the City within the coming week.

This federal Corona Virus Relief Fund element of the CARES Act outlined specific purposes for which these federal funds could be used. Unlike most federal legislation and regulations, the federal law allows a broad range of uses for programs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease (COVID-19);
2. Were not accounted for in the budget most recently approved as of the date of enactment (March 27, 2020) of this section of the state or government; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Additional guidance was received yesterday from the federal government. Based on that and other federal guidance to date, for Alexandria this would mean that any costs for personnel or non-personnel items that were included in the FY 2020 budget could not be considered for CARES reimbursement, nor could any personnel or non-personnel item not related to the current public health emergency, and that the funds would need to be spent during the window of March 1, 2020 to December 30, 2020. This means that expenditures that were not previously budgeted and that the City has incurred in relation to preparing for an addressing the COVID-19 pandemic are likely all eligible for CARES funding including reimbursement for expenses incurred to date such as for PPE, most emergency response special pay, housing for homeless families, acquiring additional technology, etc. can all be reimbursed with these federal monies.

In addition, similar expenses through the end of the calendar year 2020 would also be eligible to be funded with these federal CARES Act dollars. This would include the expansion of the Health Department's

epidemiological functions as discussed in a recent budget work session and as included in the FY 2021 Budget Version 2.0. It is not known what the final level of the total COVID-19 expenses will be, but staff feels that a \$10 million cost amount is not inconceivable.

These federal funding definitions also leave room for the implementation of new or expanded programs to assist renters, small businesses and for further food assistance. Staff has checked with the City's external auditors, other jurisdictions, and with the Government Finance Officers Association, and the universal conclusion is that it would be appropriate to consider the costs of addressing the financial impacts of COVID-19 on the community as eligible CARES Act expenses.

**FISCAL IMPACT:** At this time without an allocation decision from the state, it is speculative how much in CARES Act funds the City will be allocated, but if the City receives the same per capita allocation as Fairfax County can receive from the federal government, then the City would receive \$27 million of the CARES Act funding. The amount allocated by the State may be lower or higher.

Regardless of the dollar amount of the allocation, it is projected that \$10 million may be sufficient to cover the City's out-of-pocket COVID-19 direct expenses. To date, the City has expended over \$5 million in COVID-19 related new expenses, so staff believes that the \$10 million may be sufficient funding through the end of calendar year 2020. While the determination of the use of the balance of the funds is subject to further staff work on food, residential rental and small business assistance programs, I thought it useful to layout a potential allocation of the federal CARES Act funds so that Council can begin to see staff's thinking and to provide affirmation that this general direction appears correct, or if the prioritization on the use of funds should materially shift. Either way, an amount of these federal CARES Act funds should be held in reserve for dealing with future unknowns. At this point there is discussion at the federal level related to additional federal financial assistance in a COVID Phase 4 legislation. Earlier this week the U.S Senate approved COVID Phase 3.5 funding which is likely to be approved today by the U.S. House of Representatives, but no additional funding to local governments has been included in this COVID Phase 3.5 legislation. The COVID Phase 4 legislation, if there is added local government funding, may allow that new funding to be used to offset local government revenue losses caused by COVID-19. The City's currently estimated revenue loss is \$92 million, which may increase if the disease's impact lasts longer than the City has projected in its revenue assumptions and/or strongly reappears next flu season.

**ATTACHMENTS:**

1. Utilization of Federal COVID-19 Related CARES ACT Funding
2. Options for providing Housing Cost Assistance during the COVID-19 caused economic crisis