

CARES Act funds not spent by the County will need to be returned to the State. The window of time to plan and spend the CARES Act allocation is currently 10 months, although the COVID-19 impacts may be longer. The federal and State agencies administering the funding are establishing reporting requirements to ensure funds are allocated and spent in-line with the guidelines. The State is requiring Counties submit initial expenditure plans by September 1, 2020 with additional reporting requirements still pending.

County Departments have identified initial eligible costs under the CARES Act eligibility criteria for March 1, 2020 and June 30, 2020 and prepared estimates for July to December 2020 for COVID-19 medical response costs. See Initial CARES Act Expenditure Plan included in Attachment A herein. In the coming weeks the County Administrator's Office in coordination with department leadership will continue to refine the CARES Act eligible costs across all County Departments in anticipation of completing a required County plan to be submitted to the State due September 1, 2020.

The County Administrator's Office is recommending the Board receive the update on the CARES Act funding to Solano County and consider and approve a COVID-19 Pandemic emergency response expenditure plan for March 1, 2020 to December 30, 2020. There is a limited time to allocate, fully expend, and complete required reporting on the CARES Act funding in compliance with federal and State guidelines. It is recommended that the Board Delegate authority to the County Administrator to approve and submit the State required CARES Act expenditure reports and take all necessary action in administering Solano County CARES Act funding. Further as any unspent funds must be returned to the State, it is recommended the Board delegate authority to the County Administrator to approve necessary Appropriation Transfer Requests to recognize the unanticipated CARES Act funding and modify appropriations to allow Solano County to fully expend CARES Act funding prior to the December 30, 2020 deadline.

FINANCIAL IMPACT:

Federal CARES Act funding recently approved by the State of California Budget for FY2020/21 includes an allocation to Solano County of \$45.8 million to address costs for responding to COVID-19. Funding must be utilized to address COVID response costs in FY2019/20 and in FY2020/21. As part of the FY2019/20 year-end close, departments have reflected CARES Act funding to offset eligible costs based on actual expenditures through June 30, 2020. In preparing FY2020/21 Supplemental Budget to be presented to the Board in September 2020, County departments are reflecting CARES Act response related costs and revenue for July 1, 2020 through December 30, 2020. The costs associated with preparing the agenda item are nominal and absorbed by the department's FY2020/21 Preliminary Budget.

DISCUSSION:

Background:

The CARES Act, signed into law on March 27, 2020, included \$150 Billion in Coronavirus Relief Fund (CRF) allocations for State, Local, and Tribal governments. While the County of Solano fell under the population threshold of 500,000 population to receive a direct allocation from the federally approved and funded CRF, the California State Budget included a proposal to share \$1.3 Billion of the State's CRF allocation with all counties and cities.

On June 29, 2020, Governor Gavin Newsom signed the 2020/21 Budget, which made formal the allocation of \$45.8 Million in CRF funds to the County of Solano for purposes consistent with the guidance provided by the U.S. Department of the Treasury. County Allocation Chart included in Attachment B.

In addition to the County's allocation of CARES Act funds, the State allocations of pass-through CARES Act funding to local jurisdictions include Benicia (\$335,553); Dixon (\$246,597); Fairfield (\$1.44million); Rio Vista (\$123,311); Suisun City (\$359,536); Vacaville (\$1.22million); Vallejo (\$1.47million). See Cities Allocation Chart included in Attachment C. Also included in the CARES Act Funding was a federal allocation to HUD to be distributed to HUD Entitlement Jurisdictions throughout the Country as an additional related allocation via

the Community Development Block Grant program for COVID-19 response. Locally, this included several cities who are HUD/CDBG entitlement cities -- Fairfield (\$507,084); Vacaville (\$297,029); and Vallejo (\$618,244). The cities of Benicia, Dixon, Rio Vista and Suisun City and the County of Solano are not HUD entitlement agencies. Allocation of CARES Act funding also included funding allocations to other types of public entities (e.g., transit agencies, hospitals, workforce agencies and schools).

Since the Governor's signing of the State Budget, approving the States CARES Act funding allocations, the State Department of Finance in coordination with other State and Federal Agencies have been working to develop and issue State refinements on the guidelines for eligible costs and required reporting on the use of the funds. Some details / guidelines are still pending. The initial guidelines on the utilization of the federal CARES Act funding outline areas where the funding can be utilized in responding to COVID-19. See federal guidance in Attachment D herein.

CARES Act Expenditure Guidelines:

The CARES funding comes with several federal restrictions that must be met to be an allowable expenditure. In summary the CARES Act provides that payments from the fund may only be used to cover costs that:

- Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government;
- Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020. It is important to note that encumbered and/or awards are considered an expense only if the scope of services has been completely satisfied by December 30, 2020;
- Expenditures comply with 2 CFR 200 and are subject to Single Audit; and
- Funds cannot be used to supplant costs funded by other sources (i.e. State/Federal grants).

The acceptance of CARES funding additional State restrictions in order to receive the funding:

- Adhere to federal guidance and the state's stay-at-home requirements and other health requirements as directed in gubernatorial Executive Order N-33-20, any subsequent Executive Orders or statutes, and all California Department of Public Health orders, directives, and guidance in response to the COVID-19 emergency.
- Use the funds in accordance with all applicable provisions of subdivision (d) of Control Section 11.90 of the Budget Act of 2020.
- Report on expenditures and summarize regional collaboration and non-duplication of efforts within the region by September 1, 2020 and return any funds that are unspent by October 30, 2020 (unless extended by the Department of Finance based on reported expenditures to date) and repay the state for any cost disallowed after federal review.
- Retain records to support reported COVID-19 eligible expenditures and participate in audits as outlined by the federal government and State. (See Attachment E for additional information on Audit Guidelines.)

State Distribution of CARES Act funds to local agencies began the end of July, with the first distribution received on July 31, 2020. Per the State Budget the State will require that Counties certify each month that they are still maintaining compliance with state health orders, executive orders, and other guidance related to COVID-19 in order to receive each of these monthly allocations. In addition, the County is required to submit periodic expenditure reports to the State on CARES funding and should the County not demonstrate adequate expenses or a plan to expend all funds prior to December 30, 2020, the State reserves the right to withhold funds. The form of these reports and expenditure plan reporting to the Department of Finance is still in development and is pending a State Budget Trailer Bill.

The full U.S. Department of the Treasury guidance and FAQs are available online here: <https://home.treasury.gov/policy-issues/cares/state-and-local-governments>.

Proposed CARES Act Expenditure Plan for Solano County:

A proposed expenditure plan for Coronavirus Relief Funds is included in Attachment A. The expenditure plan reflects current proposed funding needs, with the expectation that the plan may need to be modified as needed during the period of CARES funding to ensure that eligible new or emerging needs in the COVID-19 response are addressed, and to comply with the State and federal guidelines to expend the allocation prior to December 30, 2020 for eligible costs. Staff compiled information from departments that have and are currently engaged in disaster response to ensure that the COVID-19 disaster response needs are addressed. The County Administrator's Office recommends the priority in the plan should focus on (1) reimbursing disaster costs where another funding source does not exist, (2) maintaining disaster response, (3) continuing discretionary disaster response programs, and (4) augmenting or adding additional discretionary disaster response programs given the protracted duration of the pandemic.

As the State finalizes guidance on the CARES Act spending and reporting over the coming weeks County staff will continue to share updates with the Board as necessary.

FEMA Funding:

Prior to the receipt of CARES Funding, the County was and continues pursuing FEMA funding for disaster costs not eligible under the CARES Act. FEMA generally is the funder of last resort. FEMA has provided limited guidance on the pursuit of Public Assistance when other sources of Federal Funding exist. FEMA guidance in June 2020 indicates that FEMA will not deny an eligible cost from a COVID-19 Emergency declaration solely because that cost may be eligible under another federal agency's authority. FEMA reimburses for costs incurred and may decide not to pay for certain types of work that it determines are more appropriate to other federal agencies. For example, contract tracing is an eligible emergency protective measure, however, FEMA has determined that the Department of Health and Human Services and Department of Treasury as the most appropriate for State and Local governments seeking funding.

ALTERNATIVES:

The Board of Supervisors could:

1. Delay receiving an update on CARES Act funding, or the proposed expenditure plan; however, this is not recommended as the County has incurred expense in responding to the COVID-19 pandemic medical emergency and anticipates additional COVID-19 response and utilization of this critical funding source will assist the County in addressing many of these previously unfunded costs.
2. The Board could consider the plan and identify areas for revision and direct staff to return with an update prior to the September 1, 2020 State reporting due date.
3. The Board could choose not to approve and submit the required State CARES Act expenditure plan and not delegate authority to prepare and submit reports, or necessary appropriations transfers requests to ensure CARES Act allocation is utilized and occurs on a timely basis; however, this alternative is not recommended as it may limit the County's ability to utilize the available funding thus resulting in a forfeiture of CARES Act funding.

OTHER AGENCY INVOLVEMENT:

The County Administrator, County Departments, and other local agencies including but not limited to; Solano Transportation Authority (STA), Workforce Development, CAP Solano, City Management and City Housing Coordinators, the Food Bank, providers under First 5 Solano, and other County contractors were involved in developing estimates of need in the COVID-19 emergency response included in this report.

The County Administrator has received inquiry from Common Ground, a local advocacy group, who is working to prepare recommendations to the County on CARES Act funding allocations. The Common Ground recommendations are still in development and anticipated to be received by the County prior to Tuesday, August 11, 2020. When received CAO staff will provide the additional information to the Board.

Additionally, the County has received inquiry from the Solano Hispanic Chamber of Commerce regarding how CARES Act funding will be allocated, and staff has sent this staff report and proposed expenditure plan to them.

CAO RECOMMENDATION:

APPROVE DEPARTMENTAL RECOMMENDATION