



**WORK SESSION
VIRTUAL MEETING HELD VIA WEBEX
AUGUST 10, 2020
5:45 PM**

Call to order

1. Presentation and discussion of staff's recommendation to reimburse eligible costs and consider additional spending of the City's allocation of the federal CAREs funding. Staff will also present an update and options for the preliminary 2021 Budget.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



WORK SESSION

8/10/2020

REPORT PREPARED BY: Katie Rodriguez

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
8/7/2020

ITEM FOR WORK SESSION:

Presentation and discussion of staff's recommendation to reimburse eligible costs and consider additional spending of the City's allocation of the federal CAREs funding. Staff will also present an update and options for the preliminary 2021 Budget.

EXECUTIVE SUMMARY:

The City received \$2,745,098 in federal CAREs Act local funding to assist the response to the COVID-19 pandemic. Expenditures must be used for actions taken to respond to the public health emergency, including expenditures incurred to respond directly to the emergency, as well as expenditures incurred to respond to second order effects, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.

Staff have documented their costs from March 1, 2020 and estimated costs to maintain current mitigation until November 15, 2020 which is the eligible time period for the CAREs funding. Director Regis continues to review the actual and projected costs: initial estimates total \$2,985,000 in eligible costs with existing levels of mitigation and past community assistance programs. Most of the grant revenue will flow to the general fund and help build reserves. Building reserves is important due to expected ongoing costs to respond to the pandemic and possible negative financial impacts in 2021.

Staff recommend targeting some of the grant to fund additional programs to directly assist the community, including community testing, another round(s) of small business assistance programs, and additional emergency food and rental assistance for residents.

We recommend targeting up to \$157,500 in additional emergency food and rental assistance and up to \$117,600 in additional small business assistance. Since we expect to have sufficient other eligible expenses, we recommend flexible timing and funding for both programs to better address community needs.

For example we may find the need for food and rental assistance is greater than the need for small business assistance, or the opposite, and adjust accordingly. Staff plan to bring more detailed recommendations for Council consideration at future work sessions.

Bloomington Public Health has also recommended that we reserve up to \$450,000 to provide community testing and to support long-term care facilities if needed. Combined with the previous donation to VEAP and

small business loan programs, the recommended funding reserved for direct community assistance totals up to 36% of the total CAREs distribution.

Staff will also provide an update on projected 2021 revenues and reserves. The Minnesota Department of Revenue recently certified local government aid (LGA) distributions for 2021. Richfield's allocation is \$2,001,686 which is \$364,360 less than 2020. The reduction is due to the growth in the City's tax base. The program is designed to reduce aid if cities can fund operations with property taxes and a stronger tax base. Minnesota Management and Budget also recently released a budget update for the next biennium (FY 2022-23) and project a \$4.7B deficit. MMB already projected a \$2.4B deficit for the current biennium. Given the state's deficits, there is risk the city will not receive their full allocation of certified LGA payments. Staff will present information on how the lower than expected LGA payments and risk of further cuts, and the CAREs funding could impact the 2021 Budget.

DIRECTION NEEDED:

Staff request City Council input on the proposed reimbursement and spending plan for the CAREs funding. Based on feedback staff will bring a formal recommendation to the City Council at a future meeting(s).

Staff also need input on possible budget options in order to present the recommended revised 2020 and preliminary 2021 Budgets. The budgets will be presented in detail at the September 10, 2020 work session.

BACKGROUND INFORMATION:

A. **HISTORICAL CONTEXT**

Included in the Executive Summary

B. **POLICIES (resolutions, ordinances, regulations, statutes, etc):**

N/A

C. **CRITICAL TIMING ISSUES:**

Included in Direction Needed

D. **FINANCIAL IMPACT:**

The CAREs reimbursement and spending plan, revised 2020 and 2021 Budgets will guide funding for city operations for the next 17 months.

E. **LEGAL CONSIDERATION:**

While the overall guidance for the funding is more vague than most federal grants, the City has reviewed federal, state and League of Minnesota City guidance on eligible costs. Staff have also consulted with our auditing firm to ensure that we are properly documenting reimbursement requests to prepare for a smooth audit of the grant.

ALTERNATIVE(S):

Included in the Executive Summary

PRINCIPAL PARTIES EXPECTED AT MEETING: