



TO: Audit File

FROM: Nate Reinhardt, Finance Director *Nathan Reinhardt*
Bill Reynolds, City Administrator *Bill Reynolds*

SUBJECT: CARES Act Funding

DATE: November 10, 2020

On July 3, 2020 the City of Shakopee received \$3,127,073 in CARES Act Relief Funding. Summarized information is presented in the table below with more detailed information presented for each allocation. The CARES Act requires that the payments from the Coronavirus Relief Fund only be used to cover expenses that –

1. Are necessary expenditures incurred due to public health emergency with respect to the Coronavirus Disease 2019 (COVID19);
2. Were not accounted for in the budget most recently approved as of March 27, 2020;
3. Were or will be incurred during the period that begins on March 1, 2020, and ends on November 15, 2020

As required by the State of Minnesota, the City has completed and submitted monthly reports categorizing the use of the funds. On November 10, the city completed the final report to the state that included eligible expenses incurred through October 31. A resolution approving the final report to the state will be provided to the City Council on November 17.

The next page summarizes the information reported to the state and includes additional information on eligible expenditures that also qualify for CARES Act spending. The additional expenses include expense for payroll for personnel protective equipment, unemployment benefits, technology for teleworking, public safety employees, and equipment breakdown costs. These include expenses that incurred following the submittal of the final report, but prior to the November 15 deadline.

As a requirement of the funding, the city will be required to complete a "Single Audit", which is an additional audit that will be completed by the city's independent audit firm, but will focus solely on compliance with federal funding requirements. Staff has had preliminary discussions with the auditors to ensure required documentation and justification is available.

Amounts, descriptions and reference to guidance has been included within the memo on all amounts included in the final report submitted to the State of Minnesota.

**City of Shakopee
CARES Relief Fund
As of October 31, 2020**

CARES Funding Received July 3, 2020 \$ 3,127,073.00

MN Reporting Type	Description	July 31 Amount	August 31 Amount	September 30 Amount	October 31 Amount	Total	Comments
1 Personal Protective Equipment	Supplies/PPE	55,674.16	8,477.45	22,113.17	13,574.22	99,839.00	Masks, Gloves, Sanitizer, Signage, etc.
2 Budgeted Personnel and Services Diverted to a Substantially Different Use	Personnel - Leave	172,682.93	3,930.91	3,947.42	2,956.15	183,517.41	Emergency Paid Leave (State Order)
3 Payroll for Public Health and Safety Employees	Public Safety Personnel	987,163.79	100,425.63	70,089.09	67,622.65	1,225,301.16	Police payroll expenses for Public Safety
3 Payroll for Public Health and Safety Employees	Public Safety Personnel	585,451.07	153,735.87	120,507.25	125,039.18	984,733.37	Fire payroll expenses for Public Safety
4 Budgeted Personnel and Services Diverted to a Substantially Different Use	Personnel (duties impacted)	358,708.69	-	-	-	358,708.69	Substantially impacted job duties
5 Improve Telework Capabilities of Public Employers	Technology Expenses	70,060.79	7,259.90	6,434.03	22,737.23	106,491.95	Teleworking/electronic council meetings
6 Public Health Expenses	Safe Care Campaign	-	-	19,425.00	-	19,425.00	Communication effort with St. Francis
7 Small Business Assistance	Grant Program	-	139,056.42	-	-	139,056.42	Small Business Assistance Grants
8 Facilitating Distance Learning	Broadband Deployment	10,000.00	-	-	-	10,000.00	City Cont. - Broadband Deployment
Total		\$ 2,239,741.43	\$ 412,886.18	\$ 242,515.96	\$ 231,929.43	\$ 3,127,073.00	
Balance Remaining						\$ -	

Note: Modifications for the previous reported amounts to state. \$106,753.67 of recreation refunds removed as it was determined by the City that they likely would not be eligible. Other adjustments include \$21,197.10 of equipment breakdown costs, \$8,037.30 of PPE, \$129.00 of unemployment benefits, and \$64.56 to personnel diverted to a substantially different use were adjusted and re-allocated to qualifying public safety personnel expenses. Payroll for public safety was increased for an allocation of police officer hours, and previous amounts adjusted accordingly. The State was made aware of the changes when the report was submitted.

Qualifying expenditures, not reported to the state (expenditures in excess of CARES Act allocation)

MN Reporting Type	Description	July 31 Amount	August 31 Amount	September 30 Amount	October 31 Amount	Nov. 1 - Nov. 15 Amount	Total	Comments
Personal Protective Equipment	Supplies/PPE	-	-	-	-	32,999.00	32,999.00	Ice Arena facility modifications
Improve Telework Capabilities of Public Employers	Technology Expenses	-	-	-	-	57,190.69	57,190.69	Conference room & Council Chambers audio/visual
Unemployment Benefits	Unemployment	129.00	-	-	-	32,748.96	32,877.96	MN Unemployment Benefits
Payroll for Public Health and Safety Employees	Public Safety Personnel	1,019,017.74	812,534.63	567,083.69	559,824.36	TBD	2,958,460.42	Police payroll expenses (remaining unallocated balance)
Payroll for Public Health and Safety Employees	Public Safety Personnel	-	-	-	-	TBD	-	Fire payroll expenses for Public Safety
Items not captured in available expenditures categories	Equipment Breakdown	21,197.10	-	-	-	-	21,197.10	Zamboni repairs caused by shut down
Total		\$ 1,040,343.84	\$ 812,534.63	\$ 567,083.69	\$ 559,824.36	\$ 122,938.65	\$ 3,102,725.17	

In consultation with the League of MN Cities, Metro Cities and auditors a basis for the allocation of CARES Act Relief Funding is as follows:

- 1) \$99,839.00 Supplies/Personal Protective Equipment. Items include protective shields, sanitizer, disinfectant, wipes, signage, building modifications, gloves and face masks. As eligible in accordance with the Federal CRF Guidance dated June 20, 2020.

2. Public health expenses such as:

- Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
- Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
- Expenses for disinfection of public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency.
- Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
- Expenses for public safety measures undertaken in response to COVID-19.
- Expenses for quarantining individuals.

- 2) \$183,517.41 Emergency Paid Leave. The City set-up a separate pay code in our payroll system, "COVID 19 - Emergency Leave" that accounts for employees who were unable to work as a result of Minnesota's Stay At Home Directive to mitigate the spread of the virus. As eligible under the CFR FAQ dated 7/8/2020.

May Fund payments be used to cover increased administrative leave costs of public employees who could not telework in the event of a stay at home order or a case of COVID-19 in the workplace?

The statute requires that payments be used only to cover costs that were not accounted for in the budget most recently approved as of March 27, 2020. As stated in the Guidance, a cost meets this requirement if either (a) the cost cannot lawfully be funded using a line item, allotment, or allocation within that budget or (b) the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. If the cost of an employee was allocated to administrative leave to a greater extent than was expected, the cost of such administrative leave may be covered using payments from the Fund.

- 3) \$1,225,301.16 Police – Public Safety Payroll Expenditures
\$984,733.37 Fire – Public Safety Payroll Expenditures

Police Chief/Captains/Sergeants/Patrol officer time (excluding administrative support included in Personnel Substantially Different section). Includes hours worked from March 30th to May 24th where modified staffing schedules were utilized by police officers/sergeants in response to COVID-19 and an allocation of 11% of hours worked from March 1st to October 31st outside the modified schedule timeframe. COVID-19 resulted in a significant change in activities including, but not limited to; reduced community policing, mental health calls or calls where mental health is the underlying contributor, domestic disturbances, firework complaints and order protection and domestic abuse no contact order violations. Patrol implemented a number of changes to processes to ensure social distancing and enhanced sanitation protocols. (Such as responding to medicals and vehicle releases).

The fire department as a result of COVID-19 has had to take enhanced sanitation and social distancing measures to provide the ability to respond to emergency calls. Four on-duty firefighters were added to the station Monday – Friday 3pm to 7am. On Saturday and Sunday we now have four firefighters for 24 hours each day. The changes were necessary so that not all 45 firefighters showed up at the station at the same time when responding to a call and separating firefighters to prevent them being in the same place at the same time.

As eligible under the CFR FAQ dated 9/21/2020.

63. According to Treasury's FAQs, for administrative convenience, a State can presume that all payroll costs for public health and public safety employees are payments for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency and, thus, can be covered by CRF. Will Treasury OIG or the PRAC ever question the applicability of this presumption in the audit context? If so, under what circumstances?

During its reviews and audits, Treasury OIG will allow the use of the administrative accommodation made in accordance Treasury's FAQs. See responses to related questions 69, 70, and 71.

70. To what level of documentation will a government be held to support the reimbursement of public health and safety payroll that was "presumed" to be substantially dedicated to mitigating the emergency?

The recipient of CRF payments must maintain and make available to Treasury OIG upon request, all documents and financial records sufficient to establish compliance with subsection 601(d) of the Social Security Act, as amended (42 U.S.C. 801(d)). Documents/records include payroll records for the covered period March 1 through December 30, 2020. Records include, but are not limited to (1) general and subsidiary ledgers used to account for the receipt of CRF payments and subsequent disbursements; and (2) payroll, time, and human resource records to support costs incurred for payroll expenses. Please refer to the Treasury OIG memorandum, Coronavirus Relief Fund Reporting and Record Retention Requirements (OIG-20-021; July 2, 2020). These document requirements apply to supporting payroll reimbursement amounts using CRF proceeds and not to support the presumption that public health and safety payroll is substantially dedicated to mitigating the emergency.

a. Will a government have to demonstrate/substantiate that a public health or public safety employee's function/duties were in fact substantially dedicated to mitigating the emergency?

No, the government will not have to demonstrate/substantiate that a public health or public safety employee's function/duties were substantially dedicated to mitigating the emergency but must maintain records and documentation supporting payroll amounts reimbursed using CRF proceeds. As indicated in Treasury's Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or

equivalent) of the relevant government determines that specific circumstances indicate otherwise. Treasury's FAQs add that entire payroll cost of an employee whose time is substantially dedicated to mitigating or responding to the COVID-19 public health emergency is eligible, provided that such payroll costs are incurred by December 30, 2020.

- b. For payroll that was accounted for in the FY2020 budget but was then "presumed" to be substantially dedicated to mitigating the emergency, will the government have to demonstrate/substantiate that a public health or public safety employee's function was a substantially different use?*

No, the government will not have to demonstrate/substantiate that a budgeted public health or public safety employee's function was a substantially different use. As stated in Treasury's Guidance, within the category of substantially different uses, Treasury has included payroll and benefits expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID19 public health emergency. The Treasury OIG does require the government to maintain budgetary records to support the fiscal years 2019 and 2020 budgets.

- 71. Is the government required to perform any analysis or maintain documentation of the "substantially dedicated" conclusion for payroll expenses of public safety, public health, health care, and human service employees?*

No, the government is not required to perform an analysis or maintain documentation of the substantially dedicated conclusion for payroll expenses of public safety, public health, health care, and human service employees. As indicated in Treasury's Guidance, as an administrative accommodation, governments may presume that public health and public safety employees meet the substantially dedicated test, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise. Please refer to response to question 69.

- 4) \$358,708.69 – Personnel Diverted to a Substantially Different Use. Each of the following positions and their job duties have been substantially different than the job duties and tasks contemplated within the 2020 budget and have been significantly altered from what was intended at adoption of the 2020 budget.

- a. City Administrator
 - i. Response coordination
 - ii. COVID-19 strategic planning
 - iii. Assisting City Council in response
 - iv. COVID-19 policy development
 - v. Communication to staff and public
 - vi. Responding to employee and citizen concerns
 - vii. Review of city-wide COVID-19 planning and actions

- viii. Advocacy for City COVID-19 funding at state and federal level
 - ix. Coordination of COVID-19 efforts with other cities
- b. Assistant City Administrator
 - i. COVID-19 Policy Development
 - ii. Service/process adjustments related to COVID-19
 - iii. Responding to citizen/employee concerns related to COVID-19
- c. Finance Director
 - i. Response coordination
 - ii. Managing and accounting for COVID-19 expenses (including attending/participating in discussions, documenting and reporting CARES Act Relief Funds).
 - iii. Preparing/Presenting COVID-19 financial impacts to City Council.
- d. Accounting Supervisor
 - i. Developing procedures related to tracking COVID-19 expenses and time.
 - ii. Managing and accounting for COVID-19 expenses (including attending/participating in discussions, documenting and reporting CARES Act Relief Funds).
- e. Administrative Assistant/Accounting Clerk
 - i. Processing recreation refunds related to COVID-19
- f. Director of Human Resources
 - i. COVID-19 Policy Development
 - 1. Continuity of Operations Plan
 - 2. Preparedness Plan
 - 3. FFCRA Paid Sick Leave and FMLA
 - ii. Communication to Staff
 - 1. FFCRA leave options
 - 2. New pay codes
 - 3. Changes to interview process
 - iii. Responding to Employee Concerns
 - 1. COVID 19 questions and pay issues
 - 2. Safety planning with new requirements for staff
 - 3. Processing unemployment related to COVID-19
- g. Human Resource Specialists
 - i. COVID 19 Webinars
 - ii. Processing COVID-19 hours
 - iii. Creating COVID-19 pay codes
 - iv. Recruiting process changes
- h. Director of Planning and Development
 - i. Business Hardship and Small Business Assistance Program
- i. IT Director
 - i. Response coordination – PC and VPN connectivity
 - ii. Equipment coordination and purchasing
 - iii. Security configuration and response
 - iv. Assisting City Council in response and meetings

- v. Communication to staff
- j. IT Specialists
 - i. Responding to employee concerns
 - ii. Computer setup and deployment
 - iii. Updating VPN security/Security meetings
 - iv. Supporting teleconferencing and video conferencing
- k. Public Works Director/Engineering Staff
 - i. Response coordination
 - ii. Assisting administration in response
 - iii. Public Works COVID-19 policy development
 - iv. Communication to staff and public
 - v. Responding to employee and citizen concerns
 - vi. Preparation/coordination for staff working remotely
 - vii. Creation of online public bid opening process
- l. Public Works Administrative Assistants
 - i. Ordering and tracking COVID-19 supplies purchases
 - ii. Emergency contact list
 - iii. Creating and printing communication materials
 - iv. Responding to questions
 - v. Set-up of technology alternatives
- m. Public Works Superintendent/Supervisors/Foreman/Operators
 - i. PW essential work schedule
 - ii. PW work plan
 - iii. Department procedures
 - iv. Meetings/Crew meetings
 - v. Communication to staff
 - vi. Responding to employee and citizen concerns
 - vii. Voting shields
 - viii. Truck assignment
 - ix. Construction of cleaning stations
 - x. Continuity of operations plan
 - xi. Staff training
 - xii. Research/information gathering
 - xiii. Downtown signs and road closures
 - xiv. Ordering sanitizing supplies/vendor coordination
- n. City Clerk
 - i. Managing elections impacted by the public health emergency including acquisition of PPE and coordinating with County on absentee balloting due to public health emergency
- o. Parks & Recreation Director
 - i. Facilities: closing/reopening; cleaning/sanitizing; signage/equipment
 - ii. COVID impact awareness/education/coordination: webinars, online training, reading
 - iii. Communications/Coordination: websites; emails; teleconferencing

- iv. Staffing: policies; furloughs; communication; new policies/procedures training
 - v. Public response: ensuring responses comply with current guidance/orders
- p. Recreation Supervisors/Coordinator/Administrative Assistant
 - i. COVID-19 policy development – including discussion with staff and outside agencies
 - ii. Communication to staff and public
 - iii. Response coordination – including discussion with other departments and outside organizations
 - iv. Procedure development (aquatics, community center, reservation system, bank deposits)
 - v. Awareness - impact, training, education
- q. Building Maintenance
 - i. Meetings
 - ii. Signage
 - iii. Building preparation
 - iv. Additional cleaning and disinfecting
 - v. Training
- r. Police Administration/Records
 - i. Response coordination
 - ii. Increase in gun permits
 - iii. Communication to staff and public
 - iv. Responding to employee and citizen concerns

As eligible under the CFR FAQ dated 7/8/2020.

The Guidance states that the Fund may support a “broad range of uses” including payroll expenses for several classes of employees whose services are “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” What are some examples of types of covered employees?

The Guidance provides examples of broad classes of employees whose payroll expenses would be eligible expenses under the Fund. These classes of employees include public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency. Payroll and benefit costs associated with public employees who could have been furloughed or otherwise laid off but who were instead repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responding to the COVID-19 public health emergency are also covered. Other eligible expenditures include payroll and benefit costs of educational support staff or faculty responsible for developing online learning capabilities necessary to continue educational instruction in response to COVID-19-related school closures. Please see the Guidance for a discussion of what is meant by an expense that was not accounted for in the budget most recently approved as of March 27, 2020.

The Guidance says that a cost was not accounted for in the most recently approved budget if the cost is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation. What would qualify as a “substantially different use” for purposes of the Fund eligibility?

Costs incurred for a “substantially different use” include, but are not necessarily limited to, costs of personnel and services that were budgeted for in the most recently approved budget but which, due entirely to the COVID-19 public health emergency, have been diverted to substantially different functions. This would include, for example, the costs of redeploying corrections facility staff to enable compliance with COVID-19 public health precautions through work such as enhanced sanitation or enforcing social distancing measures; the costs of redeploying police to support management and enforcement of stay-at-home orders; or the costs of diverting educational support staff or faculty to develop online learning capabilities, such as through providing information technology support that is not part of the staff or faculty’s ordinary responsibilities.

Note that a public function does not become a “substantially different use” merely because it is provided from a different location or through a different manner. For example, although developing online instruction capabilities may be a substantially different use of funds, online instruction itself is not a substantially different use of public funds than classroom instruction.

- 5) \$106,491.95 Technology Expenses. Technology expenses incurred to provide employees the ability to work from home, electronic public meetings and teleconferencing. Laptops, not scheduled on original replacement list, were purchased to allow the ability to move employees to work remotely. Conference room technology upgrades were necessary to facilitate distance learning, teleconferencing and remote training. Additional computer/network security was added as these additional capabilities opened up vulnerabilities in our environment that we have proactively addressed. As eligible in accordance with the Federal CRF Guidance dated June 20, 2020.

4. Expenses of actions to facilitate compliance with COVID-19-related public health measures, such as:

- Expenses for food delivery to residents, including, for example, senior citizens and other vulnerable populations, to enable compliance with COVID-19 public health precautions.
- Expenses to facilitate distance learning, including technological improvements, in connection with school closings to enable compliance with COVID-19 precautions.
- Expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions.

- 6) \$19,425.00 Safe Care Campaign - public health communication effort with St. Francis Medical Center.

As eligible in accordance with the Federal CRF Guidance dated June 30, 2020.

2. Public health expenses such as:

- Expenses for communication and enforcement by State, territorial, local, and Tribal governments of public health orders related to COVID-19.
- Expenses for acquisition and distribution of medical and protective supplies, including sanitizing products and personal protective equipment, for medical personnel, police officers, social workers, child protection services, and child welfare officers, direct service providers for older adults and individuals with disabilities in community settings, and other public health or safety workers in connection with the COVID-19 public health emergency.
- Expenses for disinfection of public areas and other facilities, e.g., nursing homes, in response to the COVID-19 public health emergency.
- Expenses for technical assistance to local authorities or other entities on mitigation of COVID-19-related threats to public health and safety.
- Expenses for public safety measures undertaken in response to COVID-19.
- Expenses for quarantining individuals.

7) \$139,056.42 Small Business Assistance Grants. As eligible under the CFR FAQ dated 7/8/2020.

The Guidance provides that eligible expenditures may include expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures. What is meant by a “small business,” and is the Guidance intended to refer only to expenditures to cover administrative expenses of such a grant program?

Governments have discretion to determine what payments are necessary. A program that is aimed at assisting small businesses with the costs of business interruption caused by required closures should be tailored to assist those businesses in need of such assistance. The amount of a grant to a small business to reimburse the costs of business interruption caused by required closures would also be an eligible expenditure under section 601(d) of the Social Security Act, as outlined in the Guidance.

The Guidance provides that expenses associated with the provision of economic support in connection with the public health emergency, such as expenditures related to the provision of grants to small businesses to reimburse the costs of business interruption caused by required closures, would constitute eligible expenditures of Fund payments. Would such expenditures be eligible in the absence of a stay-at-home order?

Fund payments may be used for economic support in the absence of a stay-at-home order if such expenditures are determined by the government to be necessary. This may include, for example, a grant program to benefit small businesses that close voluntarily to promote social distancing measures or that are affected by decreased customer demand as a result of the COVID-19 public health emergency.

8) \$10,000.00 - City of Shakopee contribution to broadband deployment in response to COVID-19. As eligible under the CFR FAQ dated 7/8/2020.

May recipients use Fund payments to expand rural broadband capacity to assist with distance learning and telework?

Such expenditures would only be permissible if they are necessary for the public health emergency. The cost of projects that would not be expected to increase capacity to a significant extent until the need for distance learning and telework have passed due to this public health emergency would not be necessary due to the public health emergency and thus would not be eligible uses of Fund payments.

Additional Qualifying Expenses Not Reported

The following is a list of additional expenses qualifying for CARES Act funding that were not included with the state reports completed by the City of Shakopee. These expenditures were above the \$3.1 million CARES Act funding allocation received by the city.

- \$32,999.00 – Ice Arena facility modifications. Installation of sliding door to Rink 2 access to eliminate high volume touch point. Expenditures occurred after the final report submittal, but within the eligible timeframe.
- \$57,190.69 – Conference room audio/visual for to improve teleworking capabilities and facilitate distance learning and remote training. Expenditures occurred after the final report submittal, but within the eligible timeframe.
- \$32,877.96 - Unemployment costs incurred by the City. As eligible under the CFR FAQ dated 7/8/2020.

Are recipients permitted to use Fund payments to pay for unemployment insurance costs incurred by the recipient as an employer?

Yes, Fund payments may be used for unemployment insurance costs incurred by the recipient as an employer (for example, as a reimbursing employer) related to the COVID-19 public health emergency if such costs will not be reimbursed by the federal government pursuant to the CARES Act or otherwise.

- \$2,958,460.42 – Police public safety expenses that were not part of the allocation. This includes Police Chief/Captains/Sergeants/Patrol officer hours worked through (remaining 89% of hours worked outside change in staffing schedules from March 1 to October 31.
- \$21,197.10 – Equipment breakdown as a result facility shutdown related to COVID-19. As eligible in accordance with the Federal CRF Guidance dated June 20, 2020.

Necessary expenditures incurred due to the public health emergency

The requirement that expenditures be incurred “due to” the public health emergency means that expenditures must be used for actions taken to respond to the public health emergency. These may include expenditures incurred to allow the State, territorial, local, or Tribal government to respond directly to the emergency, such as by addressing medical or public health needs, **as well as expenditures incurred to respond to second-order effects of the emergency**, such as by providing economic support to those suffering from employment or business interruptions due to COVID-19-related business closures.

Revenue Impact Not Eligible

The City experienced a significant loss of revenue as a result of the COVID-19 pandemic, however CARES Act funding is not allowed to be used to replace lost revenue. The most significant impact to the City was in parks and recreations, including Community Center, Ice Arena, SandVenture outdoor pool, and recreational programming. Through October 31, 2020 park and recreational revenues were down \$848,130 year-to-date from 2019.