



TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager
Bob Newell, Finance Director
Abner Hoage, Incident Commander, Ketchikan EOC

DATE: June 10, 2020

SUBJECT: **Suggested Programs for Funding from the First Installment of CARES Act Funds**

By report dated May 29, 2020, staff submitted to the City Council an overview of the CARES Act and initial recommendations for the disbursement of grant funds. A copy of that report is attached for reference. At its meeting of June 4, 2020, the City Council deferred consideration of this issue to a special meeting of the City Council, which Mayor Sivertsen has scheduled for June 11, 2020 at 6:00 p.m. at the Ted Ferry Civic Center.

In March 2020, the \$1.8 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the US Congress and signed into law on March 27, 2020. Included in the Act was the \$150 billion Coronavirus Relief Fund for distribution to state, local and tribal governments. The amount distributed to the State of Alaska was \$1.25 billion. In May of 2020, the Alaska Legislature approved a plan to distribute \$568,572,866 of its CARES Act funds to 228 municipalities and communities throughout Alaska. The City of Ketchikan's share is \$12,281,651. The City will receive its CARES Act funding in three installments as follows:

	Payment Date	Amount
First Installment	5/1/2020	\$ 5,919,347
Second Installment	7/1/2020	3,181,152
Third Installment	10/1/2020	3,181,152
		<u>\$ 12,281,651</u>

Access to the second and third installments of funding is contingent upon spending eighty percent of the prior installment.

In order to assist the City Council in determining how best to distribute the funds for the benefit of the community, staff has prepared the following list of suggested programs that might be suitable and will satisfy the eligibility requirements of the CARES Act. The suggestions are limited to the first installment of the CARES Act funding, which totals \$5,919,347, and are based on confirmation from the Ketchikan Gateway Borough Finance Director that the Borough's Business Relief Program is intended to apply to all eligible businesses within the community.

Utility Assistance – \$1,440,000: This program would assist residential and commercial customers with their utility accounts. The City currently bills about \$42 million annually in electric, water, telephone, wastewater and solid waste utility services. The amount proposed for this program together with the Borough's proposal of \$1 million totals \$2.44 million. The City's proposed amount was based on a population ratio of 59% City and 41% Borough. The combined City/Borough funding amounts to about 6% of annual utility billings.

Of this amount, staff recommends that \$792,000 be dedicated to business/commercial utility relief and \$648,000 be dedicated to residential utility relief.

Depending on the outcome of discussions between the City and the Ketchikan Gateway Borough (see below), it may make sense for the City to oversee both the City and Borough CARES Act funding that is targeted to utility relief.

Moorage Assistance – \$300,000: This program would be available to residential and commercial reserved moorage accounts. The amount proposed represents about 30% of annual billings for reserved moorage.

Daycare Assistance – \$350,000: This program would assist working families with young children. With the closing of school for the summer and the School District proposing an attendance schedule for next year of one day a week in the classroom for the first five weeks of school, the additional daycare costs will further strain family finances. The City Council may also wish consider direct grants to daycare providers.

Small Business Assistance - \$2,480,000: This program can be administered in one of two ways. Similar to what the Ketchikan Gateway Borough envisions, direct grants can be made to businesses within the community to be used as individual companies determine appropriate relative to COVID-19 pandemic relief. If the City Council selects this approach, it may make sense for the Ketchikan Gateway Borough to oversee both the City and Borough CARES Act funding that is targeted to small business relief (see below).

An alternative approach would be to make such assistance available to small business for specific purposes such as mortgage and/or rent relief or for assisting local businesses with the cost of reengineering their facilities and operations to better position them to operate in the new realities of the COVID-19 pandemic world. If the City Council selects this approach, it is likely to be more time consuming to administer and oversight would likely have to remain with the City.

Residential Rent and Mortgage Assistance - \$1,000,000: This program would help residents avoid evictions or foreclosures. This program would also help to prevent homelessness.

Non – Profit Organizations - \$350,000: This program would benefit non-profit agencies that provide support for homeless populations, senior citizens, and food distribution programs.

Residents would be able to participate in the utility, moorage & rent and mortgage assistance programs. Businesses would only be able to participate in the utility, moorage and small business assistance programs. Nothing has been included in the first installment of CARES Act funding to reimburse the City for its expenses. Staff is recommending that the priority for the first installment of funding should be the distribution of CARES Act funds within the community as soon as possible and that City should wait until the second or third installments of funding become available before seeking reimbursement for its expenses.

The details for administering these programs are in various stages of planning and need to be finalized. Depending on the type of program and the complexity of the application process, which will need to be reviewed the City Attorney's office to ensure that the City has satisfied all the CARES Act eligibility requirements, the Finance Department and other departments that may be involved in administering the various programs may need additional staffing resources. Our personal preference would be, to the extent that it is possible, to collaborate with an outside organization that has experience working with the targeted groups. Community Connections and Ketchikan Indian Community are, for example, organizations that provide multiple services to some of the targeted populations and may be excellent partners for administering some of the programs described above.

We continue to recommend that if there are common areas of interest in which the City and the Borough can work together to coordinate the disbursement of their respective CARES Act funds, such an approach should be actively pursued. Mayor Sivertsen and Mayor Dial have scheduled a meeting of City and Borough staff for Friday, June 12, 2020 at 1:00 p.m. at the Ted Ferry Civic Center to discuss this issue.

Finally, other communities are working, and continue to work, on plans to spend their CARES Act funds. We have attached to this memorandum documents from the following communities in Alaska:

- Kenai Peninsula Borough
- City of Kenai
- City and Borough of Sitka
- Municipality of Skagway
- Ketchikan Gateway Borough

The information from the City and Borough of Sitka is especially interesting because this local government is similar to City of Ketchikan in size and services offered. Both governments operate public utilities and harbors. Sitka has already passed in first reading ordinances to establish utility and moorage assistance programs. The City of Kenai has put together a very comprehensive plan. Their approach included hiring a temporary employee to serve as the project lead for their CARES Act funds. The bottom line is that the City does not have to reinvent the wheel and there are numerous models that we can draw upon to establish guidelines once the City Council determines what types of programs are appropriate.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended the City Council adopt the motion directing staff to finalize programs for the disbursement of CARES Act funding in the amount of \$5,919,347 to City residents and businesses as determined appropriate by the City Council.

Recommended Motion: I move the City Council direct staff to finalize programs for the disbursement of CARES Act funding in the amount of \$5,919,347 to City residents and businesses as determined appropriate by the City Council.

Karl Amylon

From: Karl Amylon
Sent: Tuesday, June 09, 2020 8:17 PM
To: Amylon (Amylon@kpunet.net)
Subject: FW: City/Borough Meeting Request

From: Rodney Dial <rodneyd@kgbak.us>
Sent: Tuesday, June 09, 2020 11:19 AM
To: Ruben Duran <rubend@kgbak.us>; Deanna Thomas <deannat@kgbak.us>; Glenn Brown <glennb@kgbak.us>; Kacie Paxton <kaciep@kgbak.us>
Cc: Bob Sivertsen <Mayor@City.Ketchikan.Ak.Us>; Karl Amylon <KarlA@City.Ketchikan.Ak.Us>
Subject: City/Borough Meeting Request

CAUTION: External Email

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I had a call today with Mayor Sivertsen (*Bob*) and we are requesting a joint meeting with the Managers, Attorneys, Mayors, Finance directors and Borough Clerk this Friday afternoon. 1 pm was suggested but a later time would work. The City will host at the Ted Ferry Center Conference Room (in person).

As you know, the City will have a meeting on Thursday to discuss CARES funds. Bob and I feel that a Friday group meeting to discuss coordination in the distribution of the funds and an idea for a community meeting would be productive.

I received a call today from a local, long standing business that reported that even with CARES funds, its 80% likely they will go out of business. This business owner asked us to start doing PSAs.... like we did for the beach openings to "*give hope*" to the business community.

I would ask for your consideration of how you would suggest we move forward with a more aggressive economic message and what those PSA's would look like. I would like to plan for a PSA in support of our businesses by next week. Mayor Bob is interested in participating as well.

Please let me know your thoughts on a Friday joint meeting and what time works best for you.

Thank you
Rodney Dial
Mayor
Ketchikan Gateway Borough
rodneyd@kgbak.us
907-220-6861

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Kenai Peninsula Borough

Community & Fiscal Projects

MEMORANDUM

TO: President Cooper and Assembly Members

THRU: Charlie Pierce, Mayor 

FROM: Brandi Harbaugh, Finance Director 
Brenda Ahlberg, Community & Fiscal Projects Manager 

DATE: June 2, 2020

Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Coronavirus Relief Fund – Federal Pass Through Allocation

Assumptions

The Relief Fund is distributed from the State of Alaska to the Kenai Peninsula Borough as a federal pass-through, subrecipient grant agreement. The borough will receive \$37,458,449.47 in three payments: payment one of \$21,325,715.47; payment two of \$8,066,367; and payment three of \$8,066,367. The State of Alaska will release each payment after 80 percent of the prior payment has been expended (\$17,060,572 equals 80 percent of the first payment). Funding is allocated using a combination of quantified economic activity metrics and other measures of commerce activity. All funds must be liquidated before December 30, 2020.

The Relief Fund provides the borough with the resources needed to respond to first and second order impacts of COVID-19. The borough will adhere to the federal authorized use of funds as governed by the Security Administration Act Title VI. The Borough will manage all distributions of the Coronavirus Relief Funds (Relief Funds) using the Federal Unified Guidance 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards. When feasible, guidance from other federal programs will be employed to clearly define recipient eligibility and use of funds to demonstrate a reasonable and prudent decision process.

Guiding Principles

- Public Safety: Reimburse costs for response, preparedness and mitigation measures
- Community Resilience: Address needs in the unincorporated communities through community-specific programs and borough-wide programs
- Economic Recovery: Leverage federal funds with local resources that creates equity to taxpayers
- Loss Revenue: Recover losses from declined sales tax revenue and eliminate the need to increase mill rates (pending amendment to CARES Act/Relief Fund)

Funding Matrix

The proposed projects have been vetted to meet the federal regulations as introduced above. The funding range is presented as an estimate. The matrix is a working document to guide the administration and the assembly during the development of the funding plan, which will be formally introduced by way of resolution June 16, 2020 for the assembly's consideration and approval.

Scope of Work, Justification and Estimated Funds	ESTIMATED Funding Ranges		Public Safety	Community Resilience	Economic Recovery
Define funding thresholds and sliding scale contributions to small businesses and nonprofits outside of city limits that demonstrate economic hardships based on previous sales tax history	\$13,259,348	\$8,000,000	✓	✓	✓
Provide waivers for borough sales tax penalties	\$25,000	\$20,000	✓	✓	✓
COVID19 testing equipment to provide mass testing capabilities on the central peninsula. Equipment to reside at Central Peninsula Hospital.	\$650,000	\$525,000	✓	✓	✓
Reimburse Central Peninsula and South Peninsula hospitals' costs for emergency protective measures not reimbursed through other federal agencies.	\$800,000	\$650,000	✓	✓	
Support the volunteer fire & EMS departments' response, protective and preparedness measures (seven entities)	70,000	\$70,000	✓	✓	✓
Fire & EMS service area first responders: reimburse 75 percent of eligible personnel costs for COVID19-related response (FY20 costs ending 06/30/20)	\$2,000,000	\$1,750,000	✓	✓	✓
Kenai Peninsula Borough School District response and preparedness measures.	\$1,700,000	\$1,000,000	✓	✓	✓
Reimburse borough emergency protective measures, personnel, supplies, software/hardware, sick leave, unemployment (FY20 ending 06/30/20)	500,000	\$300,000	✓		
Solid Waste woody debris, slash disposal four (4) sites	\$200,000	\$120,000	✓	✓	
Retrofit borough facilities, i.e. touchless sinks, bathroom doors, physical separation barriers, etc.	\$500,000	\$300,000	✓	✓	

Scope of Work, Justification and Estimated Funds (continued)	ESTIMATED Funding Ranges		Public Safety	Community Resilience	Economic Recovery
Public access through technology:					
1. Remote meeting integration in assembly chambers	\$80,000	\$60,000	✓	✓	
2. Remote work kits for telework	\$116,000	\$100,000	✓		
3. Incident Management Team remote work/PC upgrades	\$67,000	\$60,000	✓		
4. 9-1-1 Backup dispatch answering center	\$802,000	\$800,000	✓	✓	✓
5. Communications engineering analysis for redundant and emergency communications	\$100,000	\$75,000	✓	✓	
Recoup projected loss revenue to restore the borough general fund, fund balance based upon historical data models. Recovered losses based upon performance period 03/01/20 - 12/30/20 (pending amendment to the CARES Act).	\$7,500,000	\$4,000,000		✓	✓
➤ ESTIMATES ONLY - RANGE TOTALS	\$28,369,348	\$17,830,000			



Sponsored by: Administration

CITY OF KENAI

RESOLUTION NO. 2020-39

A RESOLUTION OF THE CITY OF KENAI, ALASKA, APPROVING A GRANT DISBURSEMENT PROGRAM FOR SMALL BUSINESSES AND NON-PROFIT ORGANIZATIONS UTILIZING FUNDS FROM THE CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT.

WHEREAS, on April 9, 2020 President Donald J. Trump approved a Disaster Declaration for the State of Alaska; and,

WHEREAS, on May 20, 2020, the City Council enacted Ordinance 3130-2020 accepting Federal CARES ACT funding passed through the State of Alaska for expenditures in response to the COVID-19 Public Health Emergency; and,

WHEREAS, the administration developed a grant disbursement program (Attachment A) for small businesses and nonprofit organizations utilizing funds from the CARES Act to best support meaningful and long-term recovery of our local economy where help is needed due to impacts associated with the COVID-19 Public Health Emergency; and,

WHEREAS, the grant disbursement program meets the intent of the CARES Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020; and,

WHEREAS, the grant disbursement program follows guidance for local governments issued by the federal government that requires expenditures provide economic support to those suffering from employment or business interruptions due to COVID-19-related business closures; and,

WHEREAS, it is in the best interests of the City of Kenai to approve a grant disbursement program to ensure that relief funds are granted to businesses and nonprofits in need of critical funding now.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA:

Section 1. That the Grant Disbursement Program for Small Businesses and Non-Profit Organizations Utilizing Funds from The Coronavirus Aid, Relief, and Economic Security (Cares) Act is Approved as Attached or modified in similar form.

Section 2. That this resolution takes effect immediately upon passage.

PASSED BY THE COUNCIL OF THE CITY OF KENAI, ALASKA, this 3rd day of June, 2020.

ATTEST:

BRIAN GABRIEL, SR., MAYOR

Jamie Heinz, CMC, City Clerk



Establishing City of Kenai COVID-19 Relief and Recovery Grant Programs



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*We're
focused
on getting
relief funds
into the
community
we serve*



410
small
businesses in
Kenai*



106
nonprofits
serving the
community



3,117
individual
households

*Businesses with more than \$50,000 in gross revenues reported on 2019 sales tax returns

Introduction

The Kenai City Council on May 20 approved an approach to distributing CARES Act funds received by the City, identifying broad categories, governmental, private, and nonprofit to help provide economic relief due to the public health emergency. The Administration focused on developing the three grant programs outlined in this document to provide meaningful impact in the community in an expeditious manner.

Along with myself, the team included Project Lead Larry Persily (hired as a temporary employee for this effort), Finance Director Terry Eubank, City Attorney Scott Bloom, and Assistant to City Manager Christine Cunningham. We considered a wide range of programs and guidance along with the need for timely relief support with as few restrictions as possible to ensure relief funds can be spent as needed, balanced with accountability, and a simplified process that is in the best interests of both the City and applicant.

I believe we have assessed the requirements and needs of the City soundly, producing a set of responsive programs to ensure we, as a City, succeed in expending funds to best serve the citizens of Kenai with responsible management.

Paul C. Smith

Overview

The City of Kenai expects to receive \$7,700,832 from the Federal Government passed through the State of Alaska for expenditures in response to and to aid in the economic recovery from the COVID-19 Public Health Emergency. The Administration has evaluated an approach to distributing the economic recovery funds identifying how to best support the long-term recovery of our local economy. This approach includes an allocation plan for expenditure of these funds approved by City Council and designed to identify broad categories, governmental, private, and nonprofit where help is needed due to impacts associated with the COVID-19 Public Health Emergency.

\$2,500,000 – First Responder and Incident Management Team Payroll. This allocation includes a reimbursement of City payroll expenses for Fire Department, Police Department, Public Safety Dispatch, and Incident Management Team.

\$3,000,000 – Business and Nonprofit Entity Recovery Grants. This allocation includes grant awards to qualifying City of Kenai businesses or nonprofits affected by COVID-19 to offset impacts or to provide mitigation. The City will administer a grant program to determine eligibility and requirements that may apply. The grant program guidelines are included in this document.

\$300,000 – CARES Act Administration & Non-Payroll Expenditures. This allocation includes reimbursement of City expenses related to COVID-19, which have been documented. These expenses include City purchases to ensure the health and safety of City employees and residents due to the disaster. All expenditures from this department will follow all City code requirements.

\$900,832 – Individual Assistance Grants. This allocation will include grants to nonprofits to assist Kenai households impacted by COVID-19. The City will administer a grant program to determine eligibility restrictions and requirements that may apply. Once fully developed, the grant program guidelines will be brought to Council in the form of a resolution for consideration.

\$1,000,000 – City Resiliency and Recovery. This allocation will include City of Kenai capital projects or expenses intended to mitigate the impacts of COVID-19. All expenditures from this department will follow all City code requirements.

Small Business



The grant categories for small businesses will be divided into four levels, based on each business' 2019 total gross sales for four quarters as reported on their tax returns to the Borough:

- Up to \$2,500 for businesses with 2019 revenues of \$50,000 to \$100,000
- Up to \$5,000 for businesses with 2019 revenues of \$100,000 to \$250,000
- Up to \$7,500 for businesses with 2019 sales of more than \$250,000
- Up to \$10,000 for businesses with 2019 sales of more than \$500,000

If the demand for grants exceeds the City's available funds, the City reserves the right to prorate the grants equally to all recipients to stay within available funding.

A business must have been in existence as of January 1, 2020, to qualify. That would not exclude an existing business with a state license, and that has previously filed tax returns with the Borough even though it may have reported no operations in January 2020 (such as a seasonal business).

For purposes of determining eligibility for a new business without a full year's tax returns for 2019, the City would take gross sales reported for any quarters in 2019 or the first quarter 2020 and extrapolate the numbers to estimate a full year's sales for the business.

Businesses that are not required to file sales tax returns with the Borough must provide a copy of their most recent federal income tax return or other proof of revenues as deemed suitable by the City review committee to determine the level of grant award they might qualify to receive.

The business must be located within the City of Kenai, with a valid state business license and be current in its sales tax registration with the Kenai Peninsula Borough. The business owner(s) does not have to be a resident of the City of Kenai.

The program is open to all qualifying businesses, regardless of whether they have applied for or have obtained any other state or federal COVID-19-related assistance.

The program will exclude from eligibility:

- C Corporations traded on a U.S. stock exchange or a corporate-equivalent entity traded on a foreign stock exchange, and businesses owned in whole or majority-owned by such a publicly traded corporation
- National chains that own and operate their premises in Kenai; franchise owned-and-operated businesses in Kenai would be eligible
- Businesses with a City lien for code enforcement
- Businesses with a Borough lien for unpaid sales taxes. A sales tax delinquency would not disqualify a business from the grant program unless the borough has initiated a lien on that debt. Businesses that have entered into a payment plan with the Borough and are adhering to that plan would be eligible for the grant, so long as the lien has been lifted
- Businesses currently in bankruptcy proceedings

(continued on next page)

Small Business

- Businesses that lack a permanent physical presence in the City for the sale of goods or the provision of services with at least one employee assigned to that facility
- Marijuana businesses

Businesses sharing physical quarters may each apply and qualify for their own grant, so long as each business has its own state license, files a sales tax return under its own name and does not share the same ownership with the other co-located businesses.

Applicants are required to self-certify that they have been affected by the COVID-19 public health emergency and resulting economic impacts. The intent of the federally funded CARES Act program is to assist communities and businesses that suffered economic harm from the public health emergency. Impacts could include, though are not limited to, loss of sales due to mandatory shutdown, inventory loss, additional operating expenses of reopening and protecting staff and customers, including funds already spent for those purposes.

Businesses will not be required to detail specifically (in dollars) how they have been affected.

Business will be asked how they might use the money, making clear that the application question is voluntary and for informational purposes only to gauge community need and effectiveness of the program.

Applicants will be required to check a box that states they intend to remain in business into 2021.

The grant funds must be fully expended by December 30, 2020.

The applicant must certify that the information provided is true and accurate and that they agree to assist in the verification of information provided in the application and to provide additional information to the City, if requested.

The application period will be open for two weeks. The City review committee will verify the information as the applications come in, but the City will hold off paying out any funds until after the deadline period has closed and the total amount of eligible requests is known.

The review committee will determine whether the application is complete and the business is eligible under the program requirements. The committee will not judge the need or use of the money.

An applicant denied by the review committee may appeal to the City Manager (in writing). Any appeal must be filed in writing by 5 p.m. the 10th calendar day after the day the applicant received notice from the City.

It is the City's intent, to the extent allowed by law, that the review committee's work and discussions, and the applications themselves, will not be available to the public. The names of businesses that receive grants and the amount each receives will be considered a public record.

The City reserves the right to amend any criteria or procedures as may be required if new state or federal guidelines are issued.

Nonprofits



The grants for nonprofits would be divided into three levels to help meet the needs of repairing the economic damage to nonprofits caused by the COVID-19 public health emergency:

- Up to \$10,000 for nonprofits of less than \$50,000 in annual income
- Up to \$25,000 for nonprofits of between \$50,000 and \$250,000 in annual income
- Up to \$50,000 for nonprofits of more than \$250,000 in annual income

If the demand for grants exceeds the City's available funds, the City reserves the right to prorate the grants equally to all recipients to stay within available funding.

Annual income will be determined by the nonprofit's most recent IRS Form 990 from 2018 or 2019. For those nonprofits that do not file with the IRS, the City will accept an audited financial statement or an unaudited statement by a third-party preparer.

The program is open to nonprofits that provide services to residents of the City, regardless of where the nonprofit has its main office — though the nonprofit must have a physical or service presence within the City of Kenai — and regardless of whether the local chapter or affiliate is part of a larger statewide or national organization.

Additional eligibility rules:

- The grants will be available only to IRS-certified 501 nonprofits (the full list of IRS 501 nonprofit categories will be on the application)
- The nonprofit must have been in operation serving City of Kenai residents since at least January 1, 2019
- A majority of the group's local board of directors or local advisory board and its officers must be Alaska residents. A local affiliate of a national organization must have a local advisory or governing board
- Faith-based nonprofits are eligible, so long as they provide services which are promoted and available to the general public without regard to religious affiliation.
- Nonprofit organizations "that are principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities" are not eligible (as per 13 CFR § 120.110(k) in the Code of Federal Regulations)

The grant funds must be fully expended by December 30, 2020.

The program is limited to nonprofits economically damaged by the COVID-19 public health emergency. The nonprofit will be required to certify and briefly describe how it and/or its work has been affected, but will not be required to provide financial statements, budgets, receipts or other records detailing the financial damages.

Nonprofits

The program is open to all qualifying nonprofits, regardless of whether they applied or obtained any other state or federal COVID-19-related assistance.

Applicants will be asked to provide a brief report to the City no later than one year after receipt of the grant funds, reviewing the use of the money. This is voluntary and is requested to assist the City in evaluating the impact of the program.

A nonprofit cannot obtain a grant through the City's CARES Act-funded grant program for nonprofits while also receiving a grant as a small business, even if the nonprofit also operates a business enterprise in Kenai.

The applicant will need to certify that the information provided is true and accurate, and they agree to assist in the verification of information provided in the application and to provide additional information to the City, if requested.

The application period would be open for two weeks. The City review committee will verify the information as the applications come in, but the City will hold off paying out any funds until after the deadline period has closed and the total amount of eligible requests is known.

The review committee will determine whether the application is complete and the nonprofit is eligible under the program requirements. The committee will not judge the need or use of the money.

An applicant denied by the review committee may appeal to the City Manager (in writing). Any appeal must be filed in writing by 5 p.m. the 10th calendar day after the day the applicant received notice from the City.

It is the City's intent, to the extent allowed by law, that the review committee's work and discussions, and the applications themselves, will not be available to the public. The names of businesses that receive grants and the amount each receives will be considered a public record.

The City reserves the right to amend any criteria or procedures as may be required if new state or federal guidelines are issued.

Individual Assistance



Individual Assistance grants will include grants to nonprofits to assist City of Kenai households impacted by COVID-19. The City will administer a grant program to determine eligibility restrictions and requirements that may apply. Once fully developed, the grant program guidelines will be brought to Council in the form of a resolution for consideration.

This program is currently being developed by Administration.

Conclusion

The City of Kenai will administer the grant programs without incurring the additional cost of an outside group or foundation to screen, process or assist in administration of the grant program.

In order to reach the small businesses and nonprofit organizations in the City that may be eligible, a successful community outreach strategy is necessary. This strategy will include the following:

- Press Releases to local media
- Direct mail to small businesses and nonprofits
- Coordination with the Kenai Peninsula Economic Development District (KPEDD), Kenai Chamber of Commerce and Visitor Center (KCCVC), and Small Business Development Center (SBDC)
- Social Media posts

Information about the program as well as application forms, FAQs, a summary of the program and application process, and timetable will be provided on the City's website at www.kenai.city as well as a direct contact email and phone number for inquiries.



Small Business and Nonprofit Relief and Recovery Grants Frequently Asked Questions

Information for business and nonprofit applicants:

How can I apply?

Applications are available online and may be completed online at www.kenai.city or submitted by email to: grantsadmin@kenai.city or hand-delivered or mailed to City of Kenai City Hall at 210 Fidalgo Ave., Kenai, AK 99611, Attn: Grant Review Committee.

Are these loans or grants?

They are grants.

Are there fees associated with these grants?

No, there are no fees charged to the applicant.

Who can apply?

Businesses in the City of Kenai and nonprofits that provide services to City of Kenai residents.

Do I have to provide financial records to prove my economic loss from the public health emergency?

No, the City does not require invoices, receipts, bank statements, financial spreadsheets or other records. Applicants are only required to confirm their business (or nonprofit organization) was affected by the COVID-19 public health emergency and resulting economic impacts.

What expenses can the grant money cover?

Loss of income due to mandatory shutdowns; inventory loss; additional operating expenses of reopening or resuming services to the public; costs of protecting staff,

customers or clients; or other economic impacts due to the public health emergency. The grant funds may be used for future expenses or to cover for funds already spent.

What is the timeline for the grants program?

Applications must be received or postmarked by 5 p.m. Friday, June 19. The City plans to review the applications as they come in, so that the grant review committee is able to move quickly after the application deadline. The intent is to send out all or most of the checks by June 30.

Will the City of Kenai mail out checks or send the funds electronically to bank accounts?

The City will mail out checks.

What if the City of Kenai receives more applications than it has funds to distribute?

If the demand for grants exceeds the City's available funds, the City reserves the right to prorate the grants equally to all recipients to stay within available funding.

What if the Recovery Grants Program has money left over after all of the grants are paid?

The City Council on June 3 directed that any funds left over after all eligible business and nonprofit applicants are paid shall be shared on a prorated basis among the eligible business applicants.

Will the names of grant recipients be public record?

Yes, the names and amounts of the grants are public record.

Will receipt of this grant make me ineligible for other grant programs?

If you are going to apply for other federal or state grant or loan programs, the City advises applicants to check the eligibility rules for those programs.

Is there a deadline for a grant recipient to spend the money?

Yes, the grant funds received must be fully expended by Dec. 30, 2020.

Information for business applicants:

Do I have to keep receipts for my spending?

No, the City is not asking for proof of the spending after the fact, though the application asks how the business will spend the money (for informational purposes only, not to determine eligibility of the application).

Are the grant funds subject to federal income taxes?

The City advises applicants to contact their tax preparer for professional advice.

Since business applicants' 2019 gross sales will be used to determine the amount of grant funds they might be eligible to receive, what if a business did not report sales for every quarter in 2019?

For businesses — such as seasonal operations — the City will take whatever gross sales were reported for 2019 and the first quarter 2020 and estimate an annual total.

What if my business is not required to file sales tax returns with the borough?

The City will accept a copy of the most recent federal income tax return or other proof of revenues as deemed suitable by the City review committee to determine the level of grant award the business might qualify to receive. The applicant can choose to request that a review committee member come to their office to review the documents rather than submit them at City Hall.

Does the business owner(s) have to be a resident of the City of Kenai?

No, but the business must be physically located in Kenai.

Can a business that is behind in its sales taxes qualify for the City grant?

Yes, so long as the business is not under a tax lien issued by the borough. Businesses that have entered into a payment plan with the borough and are adhering to that plan would be eligible for a grant.

What if my business shares physical quarters with other businesses? Can each business apply and qualify for its own grant?

Yes, so long as each business has its own state license, files its own sales tax returns under its own name and does not share the same ownership with the other co-located businesses.

Information for nonprofit applicants:

Since a nonprofit's total revenue in 2019 will be used to determine the amount of grant award it might be eligible to receive, what if a nonprofit does not have a current IRS Form 990 it can provide to the City?

In lieu of the federal report, a nonprofit may submit an audited financial statement or an unaudited statement prepared by a third-party professional accountant that shows total revenue for 2019.

What if my nonprofit organization's office is outside the City of Kenai?

A nonprofit could be eligible for the grants as long as it provided services to City of Kenai residents for all of 2019, even if its main office is outside the City.

Does a nonprofit have to report how it used the grant money?

Nonprofits will be asked to provide a brief report to the City no later than one year after receipt of the grant funds. This is voluntary and is requested to assist the City in evaluating the impact of the program.

Can a nonprofit that operates a business receive two City grants: One under the business program and one under the grants program for nonprofits?

No, a nonprofit would have to decide which grant program it wanted to apply under.



Small Business Relief and Recovery Grant Application

Section 1 – Applicant Information

Business name:

Contact name:

Contact address:
(mailing)

City:

State

Zip:

Contact phone number:

Contact email address:

Physical address of business:
(business must be located
within the City of Kenai)

City:

State

Zip

IRS Taxpayer Identification Number
or proprietor's Social Security Number:
(SSN will be kept confidential)

Section 2 – Grant Request Information

Was your business impacted by the COVID-19 public health emergency and are you in need of economic assistance? ☐ Yes ☐ No

(Impacts may include, but are not limited to, loss of sales due to mandatory shutdown, inventory loss, additional operating expenses of reopening and protecting staff and customers, including funds already spent for those purposes.)

What is the grant amount you are requesting (check only one):

- ☐ \$2,500 grant for business with 2019 revenues of \$50,000 to \$100,000
- ☐ \$5,000 grant for business with 2019 revenues of \$100,000 to \$250,000
- ☐ \$7,500 grant for business with 2019 revenues of \$250,000 to \$500,000
- ☐ \$10,000 grant for business with 2019 revenue of more than \$500,000

(Grant amounts have been divided into four levels, based on each business' 2019 total gross sales revenue for four quarters as reported on tax returns to the borough)

How will the grant funds be used?

(Optional for informational purposes only to gauge community need and program effectiveness)

Please answer the following eligibility questions:

1. My business is a C Corporation traded on a U.S. stock exchange or a corporate-equivalent entity traded on a foreign stock exchange, and owned in whole or majority-owned by such a publicly traded corporation.	<input type="checkbox"/> Yes <input type="checkbox"/> No
2. My business is a national chain that owns and operates a premise in the City of Kenai (individually owned-and-operated local franchises are eligible).	<input type="checkbox"/> Yes <input type="checkbox"/> No
3. My business has a City lien or is in violation of a payment agreement with the City.	<input type="checkbox"/> Yes <input type="checkbox"/> No
4. My business has a Borough lien for unpaid sales taxes.	<input type="checkbox"/> Yes <input type="checkbox"/> No
5. My business is currently in bankruptcy proceedings.	<input type="checkbox"/> Yes <input type="checkbox"/> No
6. My business does not have a permanent physical presence in the City of Kenai for the sale of goods or provision of services, with at least one worker assigned to that facility.	<input type="checkbox"/> Yes <input type="checkbox"/> No
7. My business is a marijuana business licensed under Alaska Statute 17.38.	<input type="checkbox"/> Yes <input type="checkbox"/> No

(If you answered yes to any of the above questions, your business is not eligible for a grant)

Do you intend to remain in business into 2021? ☐ Yes ☐ No

Applications must be received or postmarked by 5 p.m. on June 19, 2020, and may be submitted by email to: grantsadmin@kenai.city or hand-delivered or mailed to City of Kenai City Hall at 210 Fidalgo Ave., Kenai, AK 99611, Attn: Grant Review Committee. Applications may be amended before the deadline. Incomplete applications will be rejected. Applicants will be notified of the status of their application via email to the contact person listed on the application. Questions about the grant program, application process, or application status must be directed to Larry Persily, City Project Lead, 283-8226, or email lpersily@kenai.city. If the demand for grants exceeds the City's available funds, the City reserves the right to prorate the grants equally to all recipients to stay within available funding. It is the sole responsibility of the applicant to determine or to seek independent advice as to the tax implications of receiving the grant funds.

As an official signer for the applicant, I certify that the information provided in this application is true and accurate and acknowledge that the funds will be spent by the required deadline of Dec. 30, 2020. I agree to assist in the verification of information provided in this application and to provide additional information to the city, if requested.

Signed: _____ Date: _____

Print Name: _____ Title: _____



Nonprofit Relief and Recovery Grant Application

Section 1 – Applicant Information

Nonprofit name:	<input type="text"/>			
Contact name:	<input type="text"/>			
Contact address: (mailing)	<input type="text"/>			
	<table><tr><td>City:</td><td>State:</td><td>Zip:</td></tr></table>	City:	State:	Zip:
City:	State:	Zip:		
Contact phone number:	<input type="text"/>			
Contact email address:	<input type="text"/>			
Physical address of nonprofit:	<input type="text"/>			
	<table><tr><td>City:</td><td>State:</td><td>Zip:</td></tr></table>	City:	State:	Zip:
City:	State:	Zip:		
IRS Taxpayer Identification Number (TIN):	<input type="text"/>			

Section 2 – Grant Request Information

Were the services provided by your nonprofit impacted by the COVID-19 public health emergency and are you in need of economic assistance? ☐ Yes ☐ No

(Impacts may include, but are not limited to, loss of revenue due to mandatory shutdown measures, additional operating expenses of reopening and protecting staff and the public, including funds already spent for those purposes.)

What is the grant amount you are requesting (check only one):

- ☐ \$10,000 grant for nonprofits with less than \$50,000 in annual revenue
- ☐ \$25,000 grant for nonprofits with between \$50,000 and \$250,000 in annual revenue
- ☐ \$50,000 grant for nonprofits with more than \$250,000 in annual revenue

(Grant amounts will be determined by the nonprofit's most recent IRS Form 990 from either 2018 or 2019. For those nonprofits that do not file with the IRS, the City will accept an audited financial statement or an unaudited statement by a third-party preparer)

Did your nonprofit provide services to residents of the City of Kenai in 2019? ☐ Yes ☐ No

Is your nonprofit directed by a board of directors or a local advisory board comprised of a majority of Alaska residents? ☐ Yes ☐ No

Check which type of IRS certification your nonprofit holds:

- ☐ 501(c)(3) Charitable organization
- ☐ 501(c)(4) Social welfare
- ☐ 501(c)(5) Labor, agricultural or horticultural organization
- ☐ 501(c)(6) Trade or professional organization
- ☐ 501(c)(19) or (23) Veterans organization
- ☐ 501(e) Cooperative hospital service organization
- ☐ 501(k) Child care organization
- ☐ Other (please specify):

(Faith-based nonprofits are eligible, so long as they provide services that are promoted and available to the general public without regard to religious affiliation. Nonprofit organizations "that are principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities" are not eligible (as per 13 CFR § 120.110(k) in the Code of Federal Regulations)

Briefly describe how the nonprofit's services have been impacted:

(Optional for informational purposes only to gauge community need and program effectiveness)

Applications must be received or postmarked by 5 p.m. on June 19, 2020 and may be submitted by email to: grantsadmin@kenai.city or hand-delivered or mailed to City of Kenai City Hall at 210 Fidalgo Ave., Kenai, AK 99611, Attn: Grant Review Committee. Applications may be amended before the deadline. Incomplete applications will be rejected. Applicants will be notified of the status of their application via email to the contact person listed on the application. Questions about the grant program, application process or application status must be directed to Larry Persily, City Project Lead, 283-8226, or email lpersily@kenai.city. If the demand for grants exceeds the City's available funds, the City reserves the right to prorate the grants equally to all recipients to stay within available funding. The grant funds received by a nonprofit must be fully expended by December 30, 2020, after which grant recipients are required to submit a brief report to the city of how the funds were used.

As an official signer for the applicant, I certify that the information provided in this application is true and accurate and acknowledge that the funds will be spent by the required deadline of Dec. 30, 2020. I agree to assist in the verification of information provided in this application and to provide additional information to the city, if requested.

Signed: _____ Date: _____

Print Name: _____ Title: _____



KENAI

City of Kenai | 210 Fidalgo Ave, Kenai, AK 99611-7794 | 907.283.7535 | www.kenai.city

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MEMORANDUM

TO: Mayor Gabriel and Council Members

FROM: Paul Ostrander, City Manager

DATE: May 28, 2020

SUBJECT: **Resolution No. 2020-39 – Grant Disbursement Program for Small Businesses and Nonprofits Utilizing CARES Act Funding**

The City Council discussed CARES Act funding at its Work Session on May 18, and at the May 20 City Council Meeting, enacted Ordinance 3130-2020 accepting Federal CARES ACT funding passed through the State of Alaska for expenditures in response to the COVID-19 Public Health Emergency.

Since that time, the Administration has worked diligently to develop the grant disbursement program included in Resolution No. 2020-39. Larry Persily, hired as a temporary employee for this effort, has worked tirelessly to research and assess a wide range of programs and guidance that meet the intent of the funding, serve the best interests of the City, and address the concerns expressed by City Council.

In addition to Mr. Persily's efforts, the City has attended meetings with other municipalities as well met with the City of Soldotna to best understand how other local municipalities plan to develop programs in accordance with CARES Act guidance. The proposed grant disbursement program meets the intent of the CARES Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic and were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020. The program also follows guidance for local governments issued by the federal government that requires expenditures provide economic support to those suffering from economic harm due to COVID-19-related business closures.

The proposed City of Kenai grant disbursement program for small businesses and nonprofit organizations provides a sound approach to expend funds in an expeditious manner to ensure that our local economy recovers and receives these necessary funds when and where help is needed.

Your consideration is appreciated.

Karl Amylon

From: Rodney Dial <rodneyd@kgbak.us>
Sent: Tuesday, June 09, 2020 11:19 AM
To: Ruben Duran; Deanna Thomas; Glenn Brown; Kacie Paxton
Cc: Bob Sivertsen; Karl Amylon
Subject: City/Borough Meeting Request

CAUTION: External Email

This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

I had a call today with Mayor Sivertsen (*Bob*) and we are requesting a joint meeting with the Managers, Attorneys, Mayors, Finance directors and Borough Clerk this Friday afternoon. 1 pm was suggested but a later time would work. The City will host at the Ted Ferry Center Conference Room (in person).

As you know, the City will have a meeting on Thursday to discuss CARES funds. Bob and I feel that a Friday group meeting to discuss coordination in the distribution of the funds and an idea for a community meeting would be productive.

I received a call today from a local, long standing business that reported that even with CARES funds, its 80% likely they will go out of business. This business owner asked us to start doing PSAs.... like we did for the beach openings to "*give hope*" to the business community.

I would ask for your consideration of how you would suggest we move forward with a more aggressive economic message and what those PSA's would look like. I would like to plan for a PSA in support of our businesses by next week. Mayor Bob is interested in participating as well.

Please let me know your thoughts on a Friday joint meeting and what time works best for you.

Thank you
Rodney Dial
Mayor
Ketchikan Gateway Borough
rodneyd@kgbak.us
907-220-6861

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This email has been processed with the City of Ketchikan SPAM filter. Please still be diligent with suspicious emails as no SPAM filter is 100% effective. If you have questions or concerns please contact the City IT Department at cityit@city.ketchikan.ak.us

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2020-28

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA ESTABLISHING THE
CARES ACT UTILITIES COSTS SUBSIDIZATION PROGRAM

1. **CLASSIFICATION.** This ordinance is NOT of a permanent nature and is NOT intended to become a part of the Sitka General Code ("SGC").

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. **PURPOSE.** The purpose of this ordinance is to establish a grant program which uses CARES Act funds received by the City and Borough of Sitka to subsidize utilities costs for residents and businesses experiencing economic hardship due to the COVID-19 health care emergency. The Assembly makes legislative findings as follows.

a. The Assembly recognizes that an emergency exists due to the COVID-19 pandemic that affects the life, health, welfare or property of the residents and businesses in the City and Borough of Sitka.

b. The Assembly further recognizes that the COVID-19 pandemic has caused great economic hardship to many of the residents and businesses in the City and Borough of Sitka.

c. On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (HR 748) ("CARES Act") was signed into law. The CARES Act contains numerous provisions aimed at providing relief from the COVID-19 pandemic, including the creation of funds to provide direct relief to states and municipalities to alleviate economic hardship.

d. The State of Alaska has received CARES Act funds, some of which it expects to disburse to municipalities, the amount of which is currently unknown but expected to be several million dollars.

e. If and upon receipt of the CARES Act funds, the Assembly desires to disburse all or a portion of those funds to residents and businesses who qualify, for the purpose of alleviating economic hardship caused by the COVID-19 pandemic.

f. To that end, in light of the economic hardship imposed on residents and businesses in the City and Borough of Sitka, by enactment of this ordinance the Assembly initiates the following temporary utilities subsidization program.

4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka ("CBS") that there shall be a temporary utilities costs subsidization program as follows:

Section 1. Title. This program may be referred to as the "CARES Act Utilities Costs Subsidization Program."

Section 2. Implementation. This program shall only be implemented if funds sufficient to fund the entire program are received by the CBS from the U.S. Treasury Department CARES Act and those funds are deemed to be eligible to be used in this program.

Section 3. Policy and procedure.

A. It shall be the policy of the CBS that applicants meeting certain criteria shall be eligible for subsidization of municipal utilities costs from CARES Act funds paid to the CBS due to the COVID-19 public health emergency.

B. Subsidization shall be in the form of general governmental subsidy payments to municipal utilities accounts for the benefit of eligible applicants. Under no circumstances may subsidization be in the form of reduced utility rates or the provision of free utilities services.

C. A supplemental appropriation providing funding for the program shall be established by a special appropriation of the Assembly. All CARES Act funding shall reside in a special revenue fund and a separate account within that fund will be established and separately budgeted for the utilities costs subsidization.

D. Applications for subsidization shall be submitted to the Finance Department on forms provided by the Finance Department. Only one application per household and/ or per business is allowed. Applications must be submitted by July 31, 2020. If the application is denied, the applicant may appeal to the Municipal Administrator. If an appeal to the Municipal Administrator is denied, the applicant may appeal to the Assembly. The Assembly's decision is the final action of the CBS.

E. Any incomplete or duplicate application will be rejected. For those complete and eligible applications, upon acceptance the Finance Department will disburse the subsidy to the accounts of those applicants accepted. All subsidy payments will be applied to accounts by August 31, 2020.

F. The utilities cost subsidy for each eligible residential applicant is a one-time credit on account in the amount of One Thousand Dollars (\$1,000).

G. The utilities cost subsidy for each eligible business applicant is a one-time credit on account in the amount of Three Thousand Dollars (\$3,000).

H. The Finance Director shall have the responsibility of developing administrative procedures, which shall be approved by the Municipal Administrator, necessary for implementation of this program.

Section 4. Eligibility and subsidization.

A. An applicant must be a customer receiving and responsible for paying for utilities from the CBS for (1) a residential dwelling in which the applicant or a household member has resided in continuously since March 15, 2020, and currently still occupies; and/ or (2) a non-residential business location which the applicant has operated in since March 15, 2020, and currently still operates.

B. An applicant shall be eligible for subsidization if the applicant certifies in his or her application as follows:

(1) the applicant is and has been a utilities account holder since at least March 15, 2020;

(2) a residential applicant, the applicant or a household member is currently a resident of Sitka and has been a resident of Sitka since at least March 15, 2020;

(3) if a business applicant, the applicant has operated it's business continuously since March 15, 2020, and currently still operates;

(4) the applicant has incurred economic hardship due to the COVID-19 public health emergency;

(5) the subsidy payment would be to an account affected by the economic hardship caused by the COVID-19 public health emergency; and

(6) at the time of the certification, the applicant continues to face economic hardship due to the COVID-19 public health emergency.

C. An applicant is eligible for a subsidy even if the applicant has overdue charges owed to the CBS. A subsidy applied to an account with overdue charges will be first applied to those overdue charges. Any portion of a subsidy not applied to costs on account shall be returned to the CBS by debit to that account.

Section 5. Definitions.

A. "Business" means those customers receiving electric services under SGC 15.01.020.C-D.

B. "Economic hardship" means, as a result of the COVID-19 public health emergency, business or personal or household disposal income has decreased and/or normal business or personal or household expenses have increased, such that it has become impossible or difficult to make ends meet and/or any money reserves of the applicant have been and/or are being significantly depleted.

C. A "household" consists of all the people who occupy a "housing unit" A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit when it is occupied or intended for occupancy as separate living quarters; that is, when the occupants do not live with any other persons in the structure and there is direct access from the outside or through a common hall. A previously designated live aboard vessel in the city and borough harbor system is also regarded as a housing unit. A household includes the related family members and all unrelated people, if any, such as lodgers, foster children, wards, or employees who share the housing unit. A person living alone in a housing unit, or a group of unrelated people sharing a housing unit such as partners or roomers, is also counted as a household.

D. "Subsidization" refers to "utilities costs subsidization."

5. EFFECTIVE DATE. This ordinance shall become effective the day after the date of its passage and is temporary in nature to be implemented only if CARES Act funds in a sufficient amount are received by the City and Borough of Sitka.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 9th day of June, 2020.

Gary L. Paxton, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st reading 5/26/2020

2nd and final reading 6/9/2020

Sponsors: Christianson and Mosher

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2020-29

**AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA ESTABLISHING THE
CARES ACT MOORAGE COSTS SUBSIDIZATION PROGRAM**

1. CLASSIFICATION. This ordinance is NOT of a permanent nature and is NOT intended to become a part of the Sitka General Code ("SGC").

2. SEVERABILITY. If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstance shall not be affected.

3. PURPOSE. The purpose of this ordinance is to establish a grant program which uses CARES Act funds received by the City and Borough of Sitka to subsidize moorage costs for vessel owners experiencing economic hardship due to the COVID-19 health care emergency. The Assembly makes legislative findings as follows.

a. The Assembly recognizes that an emergency exists due to the COVID-19 pandemic that affects the life, health, welfare or property of vessel owners in the City and Borough of Sitka.

b. The Assembly further recognizes that the COVID-19 pandemic has caused great economic hardship to many of the vessel owners in the City and Borough of Sitka.

c. On March 27, 2020, the federal Coronavirus Aid, Relief, and Economic Security Act (HR 748) ("CARES Act") was signed into law. The CARES Act contains numerous provisions aimed at providing relief from the COVID-19 pandemic, including the creation of funds to provide direct relief to states and municipalities to alleviate economic hardship.

d. The State of Alaska has received CARES Act funds, some of which it expects to disburse to municipalities, the amount of which is currently unknown but expected to be several million dollars.

e. If and upon receipt of the CARES Act funds, the Assembly desires to disburse all or a portion of those funds to vessel owners who qualify for the purpose of alleviating economic hardship caused by COVID-19 pandemic.

f. To that end, in light of the economic hardship imposed on vessel owners in the City and Borough of Sitka, by enactment of this ordinance the Assembly initiates the following temporary moorage costs subsidization program.

4. ENACTMENT. NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka ("CBS") that there shall be a temporary moorage costs subsidization program as follows:

Section 1. Title. This program may be referred to as the "CARES Act Moorage Costs Subsidization Program."

Section 2. Implementation. This program shall only be implemented if funds sufficient to fund the entire program are received by the CBS from the U.S. Treasury Department CARES Act and those funds are deemed to be eligible to be used in this program.

Section 3. Policy and procedure.

A. It shall be the policy of the CBS that applicants meeting certain criteria shall be eligible for subsidization of municipal moorage costs from CARES Act funds paid to the CBS due to the COVID-19 public health emergency.

B. Subsidization shall be in the form of general governmental subsidy payments to municipal moorage accounts for the benefit of eligible applicants. Under no circumstances may subsidization be in the form of reduced moorage rates or the provision of free moorage services.

C. A supplemental appropriation providing funding for the moorage costs subsidization fund program shall be established by a special appropriation of the Assembly. All CARES Act funding will reside in a special revenue fund and a separate account within that fund will be established and separately budgeted for the moorage subsidization.

D. Applications for subsidization shall be submitted to the Finance Department on forms provided by the Finance Department. Only one applicant per moorage account is allowed. Applications must be submitted by July 31, 2020. If the application is denied, the applicant may appeal to the Municipal Administrator. If an appeal to the Municipal Administrator is denied, the applicant may appeal to the Assembly. The Municipal Assembly's decision is the final action of the CBS.

E. Any incomplete or duplicate application will be rejected. For those complete and eligible applications, upon acceptance the Finance Department will disburse the subsidy to the accounts of those applicants accepted. All subsidy payments will be applied to accounts by August 31, 2020.

F. The moorage subsidy for each eligible applicant is a one-time payment to the applicant's account. The subsidy for each eligible applicant shall be the maximum of moorage costs billed for one quarter of the calendar year.

G. The Finance Director shall have the responsibility of developing administrative procedures, which shall be approved by the Municipal Administrator, necessary for implementation of this program.

Section 4. Eligibility and subsidization.

A. An applicant must be a customer receiving and responsible for paying moorage costs from the CBS for a vessel moored in the CBS harbor system continuously since at least March 15, 2020.

B. An applicant shall be eligible for subsidization if the applicant certifies in his or her application as follows:

(1) the applicant is and has moored a vessel in the CBS harbor system under an existing moorage agreement;

(2) the applicant has a vessel moored in the CBS harbor system continuously since at least March 15, 2020;

(3) the applicant has incurred economic hardship due to the COVID-19 public health emergency;

(4) the subsidy payment would be to an account affected by the economic hardship caused by the COVID-19 public health emergency; and

(5) at the time of the certification, the applicant continues to face economic hardship due to the COVID-19 public health emergency.

C. An applicant is eligible for a subsidy even if the applicant has overdue charges owed to the CBS. A subsidy applied to an account with overdue charges will be first applied to those overdue charges. Any portion of a subsidy not applied to costs on account shall be returned to the CBS by debit to that account.

Section 5. Definitions.

A. "Economic hardship" means, as a result of the COVID-19 public health emergency, business or personal or household disposal income has decreased and/or normal business or personal or household expenses have increased, such that it has become impossible or difficult to make ends meet and/or any money reserves of the applicant have been and/or are being significantly depleted.

B. "Subsidization" refers to "moorage costs subsidization."

C. "Vessel" means any ship, boat, skiff, barge, dredge and craft of every kind or description, whether used for commercial or pleasure purposes, which is on the water and is capable of being used as a means of transportation on or through the water, excluding seaplanes.

5. EFFECTIVE DATE. This ordinance shall become effective the day after the date of its passage and is temporary in nature to be implemented only if CARES Act funds in a sufficient amount are received by the City and Borough of Sitka.

PASSED, APPROVED, AND ADOPTED by the Assembly of the City and Borough of Sitka, Alaska this 9th day of June, 2020.

Gary L. Paxton, Mayor

ATTEST:

Sara Peterson, MMC
Municipal Clerk

1st reading 5/26/2020

2nd and final reading 6/9/2020

Sponsors: Christianson and Mosher

Proposed by:	Mayor Cremata
Attorney Review:	05/29/2020
Vote:	<input type="checkbox"/> Aye <input type="checkbox"/> Nay <input type="checkbox"/> Absent

**MUNICIPALITY OF SKAGWAY, ALASKA
RESOLUTION NO. 20-22R**

A RESOLUTION OF THE MUNICIPALITY OF SKAGWAY, ALASKA ESTABLISHING AN EMERGENCY ASSISTANCE & ECONOMIC STIMULUS PROGRAM TO MITIGATE THE IMPACTS OF THE COVID-19 PANDEMIC ON THE COMMUNITY OF SKAGWAY.

WHEREAS, on March 16, 2020, the Municipality of Skagway declared an emergency based on the risk to the public posed by the global COVID-19 pandemic and the substantial adverse economic impacts to Skagway residents, which was confirmed by the Assembly on March 19, 2020; and

WHEREAS, Skagway residents and the municipality rely upon the tourism industry for financial stability; and

WHEREAS, many Skagway residents are unable to be employed in the tourism industry for an undetermined amount of time due to the widespread cancellation of cruises to Alaska; and

WHEREAS, employment options for Skagway residents that provide for working off site or remotely in other industries are limited; and

WHEREAS, secondary impacts to the local economy due to COVID-19 travel restrictions and health mandates will be devastating, with an estimated total community revenue loss of \$160 million for the 2020 season; and

WHEREAS, the Municipality of Skagway wishes to implement an Emergency Assistance & Economic Stimulus Program to mitigate the impacts of the COVID-19 pandemic on the health and financial stability of the Skagway community;

NOW THEREFORE BE IT RESOLVED THAT the Borough Assembly of the Municipality of Skagway considers expenditures to mitigate the impacts of COVID-19 on the local economy to be necessary expenditures and establishes the following policy for an Emergency Assistance & Economic Stimulus Program:

- Applications will be accepted upon receipt by the Municipality of Skagway of the first Coronavirus Relief Fund grant payment from the State of Alaska.
- Assistance will be provided in the form of a check payment.
- Applications must be submitted monthly, and applicants must meet eligibility requirements and include detail about how previous payments have been spent.
- To be eligible, applicants must provide proof of eligible status to receive the 2020 State of Alaska Permanent Fund Dividend; proof of voter registration in Skagway or an Alaska driver's license with a Skagway address; documentation of impacts to the household due to COVID-19; and a budget detailing how funds are to be used.

MUNICIPALITY OF SKAGWAY, ALASKA
RESOLUTION NO. 20-22R
Page 2 of 2

- Applicant and all persons listed on the application must currently physically reside in Skagway and provide a local Skagway physical address and post office box mailing address.
- Funding is available as follows: \$1,000 to each applicant; and \$1,000 for spouse/partner and/or each dependent residing with the applicant.
- This program is dependent on Coronavirus Relief Fund grant funding and will be in place until grant funding is depleted or the expiration of the program, whichever comes first.

BE IT FURTHER RESOLVED THAT this resolution shall be effective immediately upon adoption.

PASSED AND APPROVED by a duly constituted quorum of the Borough Assembly of the Municipality of Skagway this ___ day of _____, 2020.

Andrew Cremata, Mayor

ATTEST:

Emily A. Deach, Borough Clerk

(SEAL)



ECONOMIC RECOVERY PROGRAMS

Non-CARES Act Suggestions

Property Tax Deferral

Purpose:
Temporary Relief

Allow taxpayers, upon application, to defer ½ of the property tax due at Sept 30 to March 31.

- Will require updating the current mill rate resolution. No code changes necessary.
- Does not impact homeowners who use an escrow account to pay property taxes
- Temporary Program
- Property taxes are an automatic lien
- Most effective program includes City of Ketchikan concurrence

CARES Act Total Available \$10,400,979

Coronavirus Aid, Relief, and Economic Security Act

Disbursement 1: \$4,812,980

Disbursement 2 & 3 not available until 80% of disbursement 1 (\$3,850,384) is spent.

Suggested Project Total

Purpose

Options

\$3 million

Business Relief

Business Subsidy Payment

- Smaller payments to a larger number of businesses
- Requires less time to execute

- OR -

Impact Based Grant

- Larger payments to a smaller number of businesses.
- Application Required
- Administratively Burdensome
- Takes more time to execute

\$1 million

Utilities Relief

Subsidy Payment to Account Holders

- OR -

Impact Based Grant

- Administered by the Utilities (KPU, GCI, Borough, Saxman)
- Simple Self Certify Application

\$200,000

PPE, Hygiene &
Social Distancing
Reimbursement Program

Entities submit receipts for expenditures and Borough re-imburses with a check. Eligible expenses include items such as PPE, sneeze guards, extra supplies to limit sharing (ie, daycare settings)

CARES Act Total Available \$10,400,979

Coronavirus Aid, Relief, and Economic Security Act

Disbursement 1: \$4,812,980

Continued

Disbursement 2 & 3 not available until 80% of disbursement 1 (\$3,850,384) is spent.

Suggested Project Total	Purpose	Options
\$200,000	Shelter and Food Security Program	Work with existing agencies in town to administer simplified grant program. Goal is to help people stay in their existing housing and to provide food.
\$200,000	Non-Profits	Ketchikan Area Arts and Humanities Council, First City Players, etc.
\$212,980	Admin/Contingency	Complex programs will require administrative support
Disbursement 2 & 3: \$2,794,000 each Total \$5,588,000 available for other potential programs		Disbursement 3 not available until 80% of disbursement 2 (\$2,235,200) is spent.

Other Potential Programs

Additional vetting may be required for each suggestion

- Additional funding to any of the previously approved programs
 - If program is working well on first pass, can add funding with no changes
 - Refine programs to target the most heavily affected and persons/organizations ineligible for other grants, loans etc.
- Reimbursement of Borough expenses not covered under FEMA or other funding
 - Costs of increased disinfecting, sneeze guards, etc.
 - Technology costs related to setting up for remote work
 - Some of Borough's staff time serving on EOC
 - Payment of Fire/EMS wages in North and South Tongass
- Reimbursement of School District expenses that exceed its available funding
- Child Care and Youth Activities Programs
- Marketing Ketchikan
- Other



TRANSMITTAL MEMORANDUM

TO: Honorable Mayor and City Council

FROM: Karl R. Amylon, City Manager
Abner Hoage, Incident Commander, Ketchikan EOC
Bob Newell, Finance Director

DATE: May 29, 2020

SUBJECT: **Overview of the CARES Act and Initial Recommendations for Disbursement of Grant Funds**

As of this date, the City has received four grant offers to cover its cost of addressing the impacts of the COVID-19 pandemic within the community. Funding is available from the following sources:

- **Federal Emergency Management Agency (FEMA)** – These grant funds are used to reimburse the City for its direct costs of responding to and recovering from the COVID-19 pandemic. Most of these costs are being driven by the Emergency Operations Center. The federal government will pay 75% of the cost incurred and the state government will pay 25% of the costs. These grant funds generally cover all the eligible costs of an emergency or disaster.
- **Coronavirus Aid, Relief, and Economic Security (CARES) Act** – These grant funds are used to provide economic support to the community and reimburse the City for necessary expenditures incurred due to the public health emergency caused by the COVID-19 pandemic. Federal funds in the amount of \$1.25 billion have been awarded to the State of Alaska. Some of the funds will be retained by the State and some of the funds will be distributed to local or tribal governments. The City of Ketchikan will receive \$12,281,651.
- **FY 20 Designated Legislative Grant** – The source of funding for this grant is the State's Commercial Passenger Vessel Excise Tax (CPV). The funds must be used for mitigating the risk of COVID-19 at the Port. The amount of the award is \$1,100,300.

- **U.S. Department of Health & Human Services Provider Relief Fund** - This is a federal grant that provides funding for the care of COVID-19 patients being transported by ambulance providers. The City has received a Round 1 payment of \$18,055. This program is being administered by our ambulance billing agent, Systems Design West.

This memorandum will be limited to discussing the CARES Act. The main focus of the report is to provide a review of the current guidance for using the funds and suggestions for how the funds could be used to help the community in its recovery.

The CARES Act

In March 2020, the \$1.8 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by the US Congress and signed into law on March 27, 2020. Included in the Act was the \$150 billion Coronavirus Relief Fund for distribution to state, local and tribal governments. The amount distributed to the State of Alaska was \$1.25 billion. In May of 2020, the Alaska Legislature approved a plan to distribute \$568,572,866 of its CARES Act funds to 228 municipalities and communities throughout Alaska. The City of Ketchikan's share is \$12,281,651. The City will receive its CARES Act funding in three installments as follows:

	Payment Date	Amount
First Installment	5/1/2020	\$ 5,919,347
Second Installment	7/1/2020	3,181,152
Third Installment	10/1/2020	3,181,152
		<u>\$ 12,281,651</u>

Future installments will be paid only when at least 80% of the prior installments have been expended. No future installment will be paid prior to the payment date established for the installment. Only qualifying expenses incurred between March 1, 2020 and December 31, 2020 are eligible from reimbursement from CARES Act funds.

General Guidance

The CARES Act established the Coronavirus Relief Fund (CRF) and authorized payments from the Fund to reimburse state, local and tribal governments for costs that:

- Are necessary expenditures incurred due to the public health emergency.
- Were not accounted for in the budget most recently approved as of March 27, 2020.
- Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

"Necessary" is broadly defined to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for

spending CARES Act funds. "Due to" means that the expenditures must be used for actions taken in response to the public health emergency.

"Not accounted for" means that the cost cannot be lawfully funded using a line item, allotment or allocation within that budget or the cost is for a substantially different use from any expected use of funds in such line item, allotment or allocation. An example of the latter exception is repurposing an employee's duties for the purpose of responding to the public health emergency.

Reserve funds, such as appropriated reserves, are considered not accounted for even if they were included in a budget that was approved as of March 27, 2020.

Costs must be expended by December 30, 2020. Expended means paid for by December 30, 2020. The CARES Act follows the cash basis of accounting, not the accrual basis of accounting.

CARES Act funding cannot be used to close revenue gaps or replace revenues. For example, the loss of sales tax collected from cruise ship passengers cannot be replaced.

A local government may transfer its CARES Act funds to another government within its county or State provided that the transfer qualifies as a necessary expenditure incurred due the public health emergency.

Funds used to pay for ineligible expenditures must be repaid. Unused funds must be returned.

Allowable Expenses

The CARES Act identifies six major categories of allowable, or eligible, expenses as identified below. The examples within the categories are not intended to be all inclusive.

1. Medical Expenses includes:

- COVID-19 expenses incurred by public hospitals, clinics and similar facilities.
- Establishment of temporary public medical facilities and measures to increase COVID-19 treatment capacity including mitigation measures.
- Costs of providing COVID-19 testing, emergency medical services, and telemedicine.
- Redesigning and remodeling costs to existing medical facilities to improve social distancing.
- Construction of testing facilities.

2. Public Health Expenses includes:

- Communication and enforcement of public health orders related to COVID-19.
- Acquisition and distribution of medical and protective supplies including sanitizing products and personal protective equipment for medical personnel, police officers and other public health or safety workers.

- Disinfection of public areas.
 - Technical assistance to local authorities or other entities on mitigation of COVID-19 related matters.
 - Cost of public safety measures in response to COVID-19.
 - Expense for quarantining individuals.
 - Managing events in the community.
3. Payroll expenses for 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.

The US Treasury Department has issued guidance on the definition of “substantially dedicated” but it still remains ambiguous and is subject to change. The term “similar” has also not been well defined. The following guidance was derived from the FAQs issued by the Department of Treasury and non-authoritative sources:

- Employees dedicating more than 50% of their time to the COVID-19 response would meet that definition of “substantially dedicated”. “Similar” employees includes staff necessary to administer and manage the Coronavirus Relief Funds. Employees who are solely dedicated to COVID-19 related matters are allowable. Examples include EOC staff, grant writers, food distribution workers, and homeless shelter workers.
 - Public safety employees are, by definition, considered to be substantially dedicated to mitigating or responding to COVID-19 unless the CEO of the government determines otherwise.
 - CARES Act funds can be used to pay for COVID-19 related leave for all employees including those that are not substantially dedicated to the COVID-19 response. The funds can be used for expenses arising from compliance with the Families First Coronavirus Response Act. Expenses incurred under emergency sick leave and expanded FMLA are eligible.
 - Payroll expenses for employees who could have been furloughed or otherwise laid off but who were repurposed to perform previously unbudgeted functions substantially dedicated to mitigating or responded to COVID-19 are eligible.
4. Expenses of actions to facilitate compliance with COVID-19 public health measures includes:
- Improvements to telework capabilities for public employees to enable compliance with COVID-19 public health precautions.

- Care for homeless populations to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
 - Securing broadband or improving internet capacity, acquiring hardware and funding the cost of internet service to permit employees to work remotely due to COVID-19.
 - Improvements to water and wastewater systems in order to bring them into compliance with COVID-19 mitigation measures.
 - Improving COVID-19 mitigation in public facilities. This includes installing protective barriers, protective equipment for employees with public contact, detection equipment such as thermometers, cleaning equipment and supplies for the janitorial and custodial staff.
5. Expenses associated with the provision of economic support in connection with the COVID-19 public health emergency. This category allows for the establishment of programs to support small businesses, non-profits, families and individuals impacted by the COVID-19 public health emergency. Expenses eligible for reimbursement include:
- Grants to small businesses and non-profits to reimburse the cost of business interruption due to required closures. These costs could include compensation paid to furloughed employees or rent paid during the closure.
 - Emergency assistance to families in the form of grants or subsidies. Covered expenses include rent, mortgage, utility bills and food expenses. Such assistance should be structured to ensure as much as possible that the assistance is necessary. It is recommended that an application be required from the applicant to verify that their income has been impacted by COVID-19 and they need assistance. The cost of administering an assistance program including the costs of repurposing of staff or hiring additional staff would be covered by the CARES Act.
6. Any other COVID-19 related expenses reasonably necessary to the function of government that would satisfy the CRF's eligibility criteria. This is a catch-all category for expenses not otherwise described above. The key for inclusion in this category is that the expenses must be reasonably necessary for the function of the government during the COVID-19 public health emergency. Some examples of expenses that would fall into this category include:
- Extra meetings of the governing board to address COVID-19.
 - Legal fees incurred to respond to and answer COVID-19 related questions.

- Additional cleaning of public buildings to protect employees.

Unallowable Expenses

The following is a limited list of costs that are not eligible for reimbursement from the CARES Act:

- Damages covered by insurance.
- Payroll expenses for public employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- Expenses that have or will be reimbursed under any other federal program. Duplicate reimbursements are prohibited. Funds from a federal program cannot be used to satisfy local match requirements of another federal program.
- Reimbursements to donors for goods and services. Costs covered by donated sources are not allowable.
- Workforce bonuses and severance pay. This does not preclude reimbursements for hazard pay or overtime.
- Legal settlements.
- Payroll expenses for employees placed on administrative paid leave due to not being able to perform their regular duties.
- Payroll expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
- Cannot be used to replace lost revenues.

Suggestions for the City's Use of CARES Act Fund

CARES Act funds are currently the only funding source available to provide local relief and support to individuals, non-profits and businesses. It is also the means to reimburse expenses to local governments for actions necessary to respond to and mitigate the effects of the COVID-19 public health emergency. The following are some suggested potential uses of the CARES Act Fund:

- Direct economic stimulus program for individuals, non-profits and businesses. The timing for the distribution of these funds under this type of program should be carefully planned so that they occur when they are needed the most and coordinated with other distributions such as the Alaska Permanent Dividend Fund. The goal should be to ensure that the funds are distributed over a period of time instead of all at once.
- Utilities assistance program for individuals, non-profits and businesses. This program would be made available for all utilities serving the community of Ketchikan including GCI, AT&T, etc.
- Programs to help pay for COVID-19 related expenses incurred by the community. An example of this would be assisting organizations in their efforts to modify their facilities for conducting business in the post-COVID-19 world including the purchase of PPE.

- Mortgage assistance program for individuals, non-profits and businesses to help them avoid foreclosures.
- Grants to the Ketchikan Medical Center and other health care providers to help cover their COVID-19 expenses.
- Cost of preparing the Port of Ketchikan to accommodate cruise ships in the post-COVID-19 world.
- Testing centers for seafood and other seasonal workers.
- Debt service on the hospital bonds. This is a stretch but because the hospital is vital to any plan for responding to public health emergencies it would be worth exploring this as an option.
- Payment of wages and benefits of public safety employees from March 1, 2020 through December 30, 2020.
- Operating costs of the Emergency Operations Center not covered by FEMA.
- Cost of reconfiguring the City's public facilities for the post COVID-19 world. Included are City Hall, Library, Museum, Civic Center, KPU Administration Building, KPU Customer Service and Port & Harbors.
- Grants to local businesses for the cost of quarantining seafood and other seasonal workers.
- Hand sanitizing or washing facilities at the harbors, masks for fishermen and transient moorage customers, cleaning boat launch areas and disinfection public restrooms.
- Cost of testing wastewater systems.
- Funding the cost of Webex systems to satisfy the health mandates for the City and other public institutions.
- Expanding access to internet by accelerating KPU Telecom's fiber drop program. This program enables customers to connect to Telecom's fiber network. The fiber network is an excellent means for working remotely from home.
- Accelerating the expansion of KPU Telecom's fiber network in order to make the fiber network available to more customers.
- Develop and fund a public information TV channel or provide additional support for local news/media outlets
- Fund public information campaign costs (signage, ads, videos, etc.).
- Fund community agencies serving high-risk population groups for COVID-19. These groups include senior citizens, disabled citizens and the homeless population.
- Fund the cost of the Police Department's central dispatch center.
- Grants for childcare.
- Fund childcare programs to make it easier for parents to return to work.
- Fund a rental relief program for businesses and residents.

Most of these suggestions appear to fall within the definition of necessary expenditures incurred due to the public health emergency with respect to COVID-19 but the guidance is not clear. As more information becomes available, some of these suggestions may be eliminated and other suggestions may be added.

It is our understanding that the Borough Assembly will hold a special meeting on June 8, 2020 to consider uses for its \$10,400,979 of CARES Act funding. Given the length of the agenda for the June 4, 2020 meeting, the City Council may also wish to consider a special meeting to discuss in more detail how it wishes to use its CARES Act funding. If there are common areas of interest in which the City and Borough can work together, we strongly encourage such an approach. After the City Council and the Borough Assembly have had a chance to review this issue, it may be appropriate for the respective Mayors, Managers, Finance Directors and Attorneys to meet and discuss whether such a cooperative approach is possible.

Final Thoughts

In addition to the text of the CARES Act, the U.S. Department of Treasury has issued two documents that were intended to provide guidance to the recipients of the funding available from the Act. The documents are "Guidance for State, Territorial, Local and Tribal Governments" dated April 22, 2020 and "Frequently Asked Questions" updated as of May 4, 2020. Both documents, while helpful, answered some questions but left many questions unanswered. Most recipients have requested further guidance on how the CARES Act Funds can be spent. Until that happens it appears that the key to determining eligibility is to ensure that expenditures incurred are, in the reasonable judgement of the government officials responsible for spending the CARES Act Funds, reasonably necessary for responding to the public health emergency. This seems to suggest that it is up to the community to determine what is reasonable. In this context, we offer the following recommendations:

First, we recommend that whenever appropriate FEMA grant funds be spent before CARES Act Funds. FEMA has more guidelines and restrictions for determining eligibility and should be spent for the response and recovery efforts of the Emergency Operations Center. If an expenditure is not eligible for reimbursement from FEMA, there is a good chance that it will be eligible for reimbursement from the CARES Act Fund. If an expenditure is not eligible for reimbursement from the CARES Act Fund, it probably won't be reimbursable from FEMA.

Second, we recommend the City's first installment of \$5,919,347 be directed to community residents and businesses for such programs and on such time lines that the City Council determines appropriate. Mortgage, rent and utility relief are areas that the City Council may wish to consider. Direct grants to individuals, businesses and non-profits should be considered as well. In determining what assistance the City Council wishes to make available, the City Council will also have to consider if previously awarded federal and/or state pandemic financial assistance affects eligibility under whatever programs are to be established.

Third, the City Council will have to determine whether the programs to be established should be administered in-house or assigned to a third party such as local financial institutions. Given current workloads, it is likely unrealistic to administer such programs using existing staff.

Fourth, the City, together with the Borough, should take formal action to encourage the U.S. Congress to either amend the CARES Act or introduce new legislation to provide funding for

lost municipal revenues. Small, isolated communities such as Ketchikan with limited economic opportunities should be permitted to use CARES Act Funds to replace lost revenues. Actions taken by the U.S. and Canadian governments to stop the spread of COVID-19 have had a direct negative impact on the major sectors of the local economy and could continue to have ramifications long after the public health emergency is over. City staff has already quantified the financial loss of maintaining the property tax rate at 6.6 mills (\$460,229) and the estimated loss of sales taxes (\$5,067,458) and Port revenues (\$8,522,436) due to the pandemic. The potential revenue loss to General Government and KPU of customers being unable to pay their utility bills has yet to be quantified.

It is the City's understanding that there may be some support at the federal level to provide funding for revenue replacement programs for state and local governments. It is uncertain whether such support will be forthcoming by granting more flexibility in using CARES Act Funding or by Congress authorizing a second stimulus package with additional funding for state and local governments. Until there is more clarity regarding this issue, staff believes the City Council may wish to consider holding back its remaining CARES Act funding. If additional pandemic funding is forthcoming, the City Council could then make additional CARES Act funding available to residents and businesses. If additional funding is not forthcoming and should there be no modification to how CARES Act funding can be used, General Government and KPU will need the flexibility to use the funding that has been held back to offset eligible expenses to mitigate lost revenues.

Coronavirus Relief Fund
Guidance for State, Territorial, Local, and Tribal Governments
April 22, 2020

The purpose of this document is to provide guidance to recipients of the funding available under section 601(a) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The CARES Act established the Coronavirus Relief Fund (the “Fund”) and appropriated \$150 billion to the Fund. Under the CARES Act, the Fund is to be used to make payments for specified uses to States and certain local governments; the District of Columbia and U.S. Territories (consisting of the Commonwealth of Puerto Rico, the United States Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands); and Tribal governments.

The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. 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; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.¹

The guidance that follows sets forth the Department of the Treasury’s interpretation of these limitations on the permissible use of Fund payments.

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.

Funds may not be used to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify under the statute. Although a broad range of uses is allowed, revenue replacement is not a permissible use of Fund payments.

The statute also specifies that expenditures using Fund payments must be “necessary.” The Department of the Treasury understands this term broadly to mean that the expenditure is reasonably necessary for its intended use in the reasonable judgment of the government officials responsible for spending Fund payments.

Costs not accounted for in the budget most recently approved as of March 27, 2020

The CARES Act also 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. 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

¹ See Section 601(d) of the Social Security Act, as added by section 5001 of the CARES Act.

is for a substantially different use from any expected use of funds in such a line item, allotment, or allocation.

The “most recently approved” budget refers to the enacted budget for the relevant fiscal period for the particular government, without taking into account subsequent supplemental appropriations enacted or other budgetary adjustments made by that government in response to the COVID-19 public health emergency. A cost is not considered to have been accounted for in a budget merely because it could be met using a budgetary stabilization fund, rainy day fund, or similar reserve account.

Costs incurred during the period that begins on March 1, 2020, and ends on December 30, 2020

A cost is “incurred” when the responsible unit of government has expended funds to cover the cost.

Nonexclusive examples of eligible expenditures

Eligible expenditures include, but are not limited to, payment for:

1. Medical expenses such as:
 - COVID-19-related expenses of public hospitals, clinics, and similar facilities.
 - Expenses of establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity, including related construction costs.
 - Costs of providing COVID-19 testing, including serological testing.
 - Emergency medical response expenses, including emergency medical transportation, related to COVID-19.
 - Expenses for establishing and operating public telemedicine capabilities for COVID-19-related treatment.
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.
3. Payroll expenses for 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.

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.
 - Expenses of providing paid sick and paid family and medical leave to public employees to enable compliance with COVID-19 public health precautions.
 - COVID-19-related expenses of maintaining state prisons and county jails, including as relates to sanitation and improvement of social distancing measures, to enable compliance with COVID-19 public health precautions.
 - Expenses for care for homeless populations provided to mitigate COVID-19 effects and enable compliance with COVID-19 public health precautions.
5. Expenses associated with the provision of economic support in connection with the COVID-19 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.
 - Expenditures related to a State, territorial, local, or Tribal government payroll support program.
 - Unemployment insurance costs 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.
6. Any other COVID-19-related expenses reasonably necessary to the function of government that satisfy the Fund's eligibility criteria.

Nonexclusive examples of ineligible expenditures²

The following is a list of examples of costs that would *not* be eligible expenditures of payments from the Fund.

1. Expenses for the State share of Medicaid.³
2. Damages covered by insurance.
3. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

² In addition, pursuant to section 5001(b) of the CARES Act, payments from the Fund may not be expended for an elective abortion or on research in which a human embryo is destroyed, discarded, or knowingly subjected to risk of injury or death. The prohibition on payment for abortions does not apply to an abortion if the pregnancy is the result of an act of rape or incest; or in the case where a woman suffers from a physical disorder, physical injury, or physical illness, including a life-endangering physical condition caused by or arising from the pregnancy itself, that would, as certified by a physician, place the woman in danger of death unless an abortion is performed. Furthermore, no government which receives payments from the Fund may discriminate against a health care entity on the basis that the entity does not provide, pay for, provide coverage of, or refer for abortions.

³ See 42 C.F.R. § 433.51 and 45 C.F.R. § 75.306.

4. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
5. Reimbursement to donors for donated items or services.
6. Workforce bonuses other than hazard pay or overtime.
7. Severance pay.
8. Legal settlements.

**Coronavirus Relief Fund
Frequently Asked Questions
Updated as of May 4, 2020**

The following answers to frequently asked questions supplement Treasury's Coronavirus Relief Fund ("Fund") Guidance for State, Territorial, Local, and Tribal Governments, dated April 22, 2020, ("Guidance").¹ Amounts paid from the Fund are subject to the restrictions outlined in the Guidance and set forth in section 601(d) of the Social Security Act, as added by section 5001 of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

Eligible Expenditures

Are governments required to submit proposed expenditures to Treasury for approval?

No. Governments are responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19 and do not need to submit any proposed expenditures to Treasury.

The Guidance says that funding can be used to meet payroll expenses for 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. How does a government determine whether payroll expenses for a given employee satisfy the "substantially dedicated" condition?

The Fund is designed to provide ready funding to address unforeseen financial needs and risks created by the COVID-19 public health emergency. For this reason, and as a matter of administrative convenience in light of the emergency nature of this program, a State, territorial, local, or Tribal government may presume that 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, unless the chief executive (or equivalent) of the relevant government determines that specific circumstances indicate otherwise.

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

¹ The Guidance is available at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>.

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.

May a State receiving a payment transfer funds to a local government?

Yes, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act. Such funds would be subject to recoupment by the Treasury Department if they have not been used in a manner consistent with section 601(d) of the Social Security Act.

May a unit of local government receiving a Fund payment transfer funds to another unit of government?

Yes. For example, a county may transfer funds to a city, town, or school district within the county and a county or city may transfer funds to its State, provided that the transfer qualifies as a necessary expenditure incurred due to the public health emergency and meets the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, a transfer from a county to a constituent city would not be permissible if the funds were intended to be used simply to fill shortfalls in government revenue to cover expenditures that would not otherwise qualify as an eligible expenditure.

Is a Fund payment recipient required to transfer funds to a smaller, constituent unit of government within its borders?

No. For example, a county recipient is not required to transfer funds to smaller cities within the county's borders.

Are recipients required to use other federal funds or seek reimbursement under other federal programs before using Fund payments to satisfy eligible expenses?

No. Recipients may use Fund payments for any expenses eligible under section 601(d) of the Social Security Act outlined in the Guidance. Fund payments are not required to be used as the source of funding of last resort. However, as noted below, recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement.

Are there prohibitions on combining a transaction supported with Fund payments with other CARES Act funding or COVID-19 relief Federal funding?

Recipients will need to consider the applicable restrictions and limitations of such other sources of funding. In addition, expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds, are not eligible uses of Fund payments.

Are States permitted to use Fund payments to support state unemployment insurance funds generally?

To the extent that the costs incurred by a state unemployment insurance fund are incurred due to the COVID-19 public health emergency, a State may use Fund payments to make payments to its respective state unemployment insurance fund, separate and apart from such State's obligation to the unemployment insurance fund as an employer. This will permit States to use Fund payments to prevent expenses related to the public health emergency from causing their state unemployment insurance funds to become insolvent.

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.

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.

In some cases, first responders and critical health care workers that contract COVID-19 are eligible for workers’ compensation coverage. Is the cost of this expanded workers compensation coverage eligible?

Increased workers compensation cost to the government due to the COVID-19 public health emergency incurred during the period beginning March 1, 2020, and ending December 30, 2020, is an eligible expense.

If a recipient would have decommissioned equipment or not renewed a lease on particular office space or equipment but decides to continue to use the equipment or to renew the lease in order to respond to the public health emergency, are the costs associated with continuing to operate the equipment or the ongoing lease payments eligible expenses?

Yes. To the extent the expenses were previously unbudgeted and are otherwise consistent with section 601(d) of the Social Security Act outlined in the Guidance, such expenses would be eligible.

May recipients provide stipends to employees for eligible expenses (for example, a stipend to employees to improve telework capabilities) rather than require employees to incur the eligible cost and submit for reimbursement?

Expenditures paid for with payments from the Fund must be limited to those that are necessary due to the public health emergency. As such, unless the government were to determine that providing assistance in the form of a stipend is an administrative necessity, the government should provide such assistance on a reimbursement basis to ensure as much as possible that funds are used to cover only eligible expenses.

May Fund payments be used for COVID-19 public health emergency recovery planning?

Yes. Expenses associated with conducting a recovery planning project or operating a recovery coordination office would be eligible, if the expenses otherwise meet the criteria set forth in section 601(d) of the Social Security Act outlined in the Guidance.

Are expenses associated with contact tracing eligible?

Yes, expenses associated with contract tracing are eligible.

To what extent may a government use Fund payments to support the operations of private hospitals?

Governments may use Fund payments to support public or private hospitals to the extent that the costs are necessary expenditures incurred due to the COVID-19 public health emergency, but the form such assistance would take may differ. In particular, financial assistance to private hospitals could take the form of a grant or a short-term loan.

May payments from the Fund be used to assist individuals with enrolling in a government benefit program for those who have been laid off due to COVID-19 and thereby lost health insurance?

Yes. To the extent that the relevant government official determines that these expenses are necessary and they meet the other requirements set forth in section 601(d) of the Social Security Act outlined in the Guidance, these expenses are eligible.

May recipients use Fund payments to facilitate livestock depopulation incurred by producers due to supply chain disruptions?

Yes, to the extent these efforts are deemed necessary for public health reasons or as a form of economic support as a result of the COVID-19 health emergency.

Would providing a consumer grant program to prevent eviction and assist in preventing homelessness be considered an eligible expense?

Yes, assuming that the recipient considers the grants to be a necessary expense incurred due to the COVID-19 public health emergency and the grants meet the other requirements for the use of Fund payments under section 601(d) of the Social Security Act outlined in the Guidance. As a general matter, providing assistance to recipients to enable them to meet property tax requirements would not be an eligible use of funds, but exceptions may be made in the case of assistance designed to prevent foreclosures.

May recipients create a “payroll support program” for public employees?

Use of payments from the Fund to cover payroll or benefits expenses of public employees are limited to those employees whose work duties are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May recipients use Fund payments to cover employment and training programs for employees that have been furloughed due to the public health emergency?

Yes, this would be an eligible expense if the government determined that the costs of such employment and training programs would be necessary due to the public health emergency.

May recipients use Fund payments to provide emergency financial assistance to individuals and families directly impacted by a loss of income due to the COVID-19 public health emergency?

Yes, if a government determines such assistance to be a necessary expenditure. Such assistance could include, for example, a program to assist individuals with payment of overdue rent or mortgage payments to avoid eviction or foreclosure or unforeseen financial costs for funerals and other emergency individual needs. Such assistance should be structured in a manner to ensure as much as possible, within the realm of what is administratively feasible, that such assistance is necessary.

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.

May Fund payments be used to assist impacted property owners with the payment of their property taxes?

Fund payments may not be used for government revenue replacement, including the provision of assistance to meet tax obligations.

May Fund payments be used to replace foregone utility fees? If not, can Fund payments be used as a direct subsidy payment to all utility account holders?

Fund payments may not be used for government revenue replacement, including the replacement of unpaid utility fees. Fund payments may be used for subsidy payments to electricity account holders to the extent that the subsidy payments are deemed by the recipient to be necessary expenditures incurred due to the COVID-19 public health emergency and meet the other criteria of section 601(d) of the Social Security Act outlined in the Guidance. For example, if determined to be a necessary expenditure, a government could provide grants to individuals facing economic hardship to allow them to pay their utility fees and thereby continue to receive essential services.

Could Fund payments be used for capital improvement projects that broadly provide potential economic development in a community?

In general, no. If capital improvement projects are not necessary expenditures incurred due to the COVID-19 public health emergency, then Fund payments may not be used for such projects.

However, Fund payments may be used for the expenses of, for example, establishing temporary public medical facilities and other measures to increase COVID-19 treatment capacity or improve mitigation measures, including related construction costs.

The Guidance includes workforce bonuses as an example of ineligible expenses but provides that hazard pay would be eligible if otherwise determined to be a necessary expense. Is there a specific definition of “hazard pay”?

Hazard pay means additional pay for performing hazardous duty or work involving physical hardship, in each case that is related to COVID-19.

The Guidance provides that ineligible expenditures include “[p]ayroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Is this intended to relate only to public employees?

Yes. This particular nonexclusive example of an ineligible expenditure relates to public employees. A recipient would not be permitted to pay for payroll or benefit expenses of private employees and any financial assistance (such as grants or short-term loans) to private employers are not subject to the restriction that the private employers’ employees must be substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

May counties pre-pay with CARES Act funds for expenses such as a one or two-year facility lease, such as to house staff hired in response to COVID-19?

A government should not make prepayments on contracts using payments from the Fund to the extent that doing so would not be consistent with its ordinary course policies and procedures.

Questions Related to Administration of Fund Payments

Do governments have to return unspent funds to Treasury?

Yes. Section 601(f)(2) of the Social Security Act, as added by section 5001(a) of the CARES Act, provides for recoupment by the Department of the Treasury of amounts received from the Fund that have not been used in a manner consistent with section 601(d) of the Social Security Act. If a government has not used funds it has received to cover costs that were incurred by December 30, 2020, as required by the statute, those funds must be returned to the Department of the Treasury.

What records must be kept by governments receiving payment?

A government should keep records sufficient to demonstrate that the amount of Fund payments to the government has been used in accordance with section 601(d) of the Social Security Act

May recipients deposit Fund payments into interest bearing accounts?

Yes, provided that if recipients separately invest amounts received from the Fund, they must use the interest earned or other proceeds of these investments only to cover expenditures incurred in accordance with section 601(d) of the Social Security Act and the Guidance on eligible expenses. If a government deposits Fund payments in a government’s general account, it may use those funds to meet immediate cash management needs provided that the full amount of the payment is used to cover necessary

expenditures. Fund payments are not subject to the Cash Management Improvement Act of 1990, as amended.

May governments retain assets purchased with payments from the Fund?

Yes, if the purchase of the asset was consistent with the limitations on the eligible use of funds provided by section 601(d) of the Social Security Act.

What rules apply to the proceeds of disposition or sale of assets acquired using payments from the Fund?

If such assets are disposed of prior to December 30, 2020, the proceeds would be subject to the restrictions on the eligible use of payments from the Fund provided by section 601(d) of the Social Security Act.

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Bob Newell, Finance Director
Camille Nelson, Financial Analyst
Phone: (907) 228-5621
Facsimile: (907) 228-5617

TO: Karl R. Amylon, City Manager/KPU General Manager

FROM: Bob Newell, Finance Director

DATE: April 30, 2020

SUBJECT: Projecting the Impact of the COVID-19 Pandemic on City Sales Tax Revenues

Introduction:

Attached for your review and presentation to the City Council is the results of an analysis that was prepared to assess the impact of the COVID-19 pandemic on sales tax revenues for 2020. I think it is important to take these results with a grain of salt because there so many moving targets and unknowns that could easily change the results in either direction. Some of the factors that made it challenging to come with an absolute assessment were as follows:

- The fate of the 2020 tourism season is still unknown. The tourism industry generates a significant amount of sales tax revenues for the City.
- It is unclear at this time how the seafood industry will be permitted to operate in 2020. Under normal conditions, the influx of seasonal workers and the fishing fleet increase retail sales in the City.
- The mandates issued by the governor for social isolation and distancing have been in place for over month. This has impacted the local economy and businesses have closed or changed their operations accordingly.
- The local workforce has been impacted by the shutdown of our economy and the success of its planned reopening is not known. This will impact wages earned by the workforce and influence current and future local consumer spending.

Discussion of the Projection:

The attached summary of sales tax revenue projections is limited to the year ending December 31, 2020. The summary compares the original sales tax projection that was included in the adopted 2020 Budget for General Government with two scenarios. The first scenario is based on the cruise ship calendar as modified and distributed on April 28, 2020. The second scenario is based on the assumption that the entire season has been cancelled and no ships will visit Ketchikan this summer. The following assumptions were made:

- The sales tax cap on unit sales was raised from \$1,000 to \$2,000. Most of the revenues generated by raising the cap were expected to come from sales to passengers off the cruise ships. The original amount projected was \$540,000. The amount has been revised to \$216,600 to reflect the number cruise ships now projected to make a port of call in Ketchikan in 2020.
- The sales tax projection in the 2020 Budget assumed a 3% growth in sales tax based on increasing passenger traffic. This is no longer applicable. Instead actual sales tax receipts collected in 2019 were used as the base for the updated projections.

- There is much debate in the community about how much the tourism industry contributes to local sales tax revenues. The figures used have ranged between 25% and 35%. The higher percentage includes direct and indirect sales arising from the industry. Direct sales includes sales to passengers and crewmembers. Indirect sales includes sales to individuals working in industry. An example of the latter would be an employee of curio store renting an apartment in Ketchikan during tourism season and purchasing goods and services from local businesses. For the purpose of this analysis, the mid-point, or 30% was used to project sales revenues derived from tourism.
- Second quarter (April – June) sales tax were adjusted downward by 10% to account for the shutdown of the local economy as a result of mandates issued by the governor. The expectation is that sales to local businesses and residents during this quarter will decline. It is too early to determine how reopening the economy will impact this assumption because the plan for reopening is still a work in progress. It is also unclear how the community will respond. The third (July – September) quarter was not adjusted for a decline in sales to local businesses and residents.

The summary of sales tax revenue projections breaks down the sales tax revenues by fund for the adopted budget and the two scenarios described above and the loss of revenues under the two scenarios. Originally, the City projected total sales tax revenues of \$13.85 million. If tourism season starts based on the cruise ship calendar that was distributed on April 28, 2020, sales tax revenues will decrease to \$10.49 million. If the season is cancelled, revenues will decrease to \$8.78 million. Under the shortened season scenario, the three City funds that receive sales tax revenues will see decrease in revenues of \$3.36 million. If the season is cancelled, the decrease will be \$5.07 million.

Closing Comments:

Due to the lack of data and so many moving targets a lot of subjectivity was required in order to develop this projection. It for this reason that the assumptions were clearly disclosed. I would recommend that this analysis be updated as more information becomes available. For example, as sales tax returns are filed, we should have better handle on how the local economy is faring. As the mandates are lifted and the community returns to work, it may be easier to assess how the local consumers will drive retail sales in the third and fourth quarters. As more data and information becomes available, we can improve the accuracy and reliability of our projections.

City of Ketchikan
Sales Tax Revenue Projections
For the Year Ending December 31, 2020

Fund	2020		
	Adopted 2020 Budget	Tourism Season Starts July 1, 2020	No Tourism Season
Revenue Projections:			
General Fund	\$ 5,193,043	\$ 3,934,281	\$ 3,292,746
Hospital Sales Tax Fund	3,462,029	2,622,854	2,195,164
Public Works Sales Tax Fund	5,193,043	3,934,281	3,292,746
Total Sales Tax Revenues	13,848,115	10,491,416	8,780,657
Loss of Revenues:			
General Fund	-	1,258,762	1,900,297
Hospital Sales Tax Fund	-	839,175	1,266,865
Public Works Sales Tax Fund	-	1,258,762	1,900,297
Total Loss of Revenues	\$ -	\$ 3,356,699	\$ 5,067,458

MEMORANDUM
CITY OF KETCHIKAN, ALASKA
Finance Department
Office of the Finance Director

Bob Newell, Finance Director
Camille Nelson, Financial Analyst
Phone: (907) 228-5621
Facsimile: (907) 228-5617

TO: Karl R. Amylon, City Manager/KPU General Manager

FROM: Bob Newell, Finance Director

DATE: May 6, 2020

SUBJECT: Projecting the Impact of the COVID-19 Pandemic on Port Revenues

Attached for your review and presentation to the City Council are the results of an analysis that was prepared to assess the impact of the COVID-19 pandemic on port revenues for 2020. This analysis is based on the most recent version of the 2020 Cruise Ship Calendar that was updated on May 6, 2020. The calendar has been modified three times since work was started on this analysis and I have been advised that additional changes may be forthcoming.

The attached summary of revised projections for port revenues covers the year ending December 31, 2020. The summary includes a comparison with the original revenue projections for the Port as they were presented in the adopted 2020 General Government Operating and Capital Budget.

Charges for services, which normally accounts for about 90% of the Port's revenues, have been projected to decrease from \$11.47 million to \$2.98 million, a decrease of \$8.49 million. The most significant revenue loss will come from the passenger wharfage fee, which is projected to decline by \$6.6 million to \$2.14 million. Other income has been projected to decline from \$1.2 million to 1.17 million. The table below summarizes the operating statistics for the 2020 season.

	Original Calendar	Revised Calendar
Number of Ships	39	16
Total Calls	556	114
Total Passengers	1,190,000	306,000

Without factoring in any reductions to operating costs such as temporary personnel services and lower lease payments for Berth IV due to the decrease in the number of cruise ship passengers, the projected loss of revenues will reduce the appropriated reserves of the Port Enterprise Fund from \$13.7 million to \$5.2 million. The appropriated reserves of the Port Repair & Replacement Fund will not be impacted by the loss of cruise ship traffic in 2020 and is expected to end 2020 with about \$4.9 million on hand.

I recommend that this analysis be updated as cruise line companies release more information about their plans for the upcoming tourism season.

City of Ketchikan
Port Revenue Projections
For the Year Ending December 31, 2020

	2020	
	Adopted Revenue Budget	Revised Revenue Budget
Charges for Services:		
Wharfage	\$ 8,715,000	\$ 2,143,449
Transient Docking Fees	1,142,000	309,775
Additional Docking Fees	865,000	236,800
Water	206,000	95,220
Lighter Float Fees	8,680	-
Rental Income - Food and Dock Vendors	425,000	170,000
Port Vehicle Access Fees	65,000	26,000
Electric	30,000	-
Fees for Service	2,000	-
Sewer Services	1,000	-
Solid Waste Services	1,000	-
Late Payment Charges	5,000	-
Total Charges for Services	11,465,680	2,981,244
Other Income:		
Interest Income	163,000	125,000
CPV Special Revenue	616,160	616,160
Advances from Other Funds	426,209	426,209
Total Other Income	1,205,369	1,167,369
Total Revenues	\$ 12,671,049	\$ 4,148,613