DATE: May 12, 2020
TO: Board of Supervisors
FROM: Jeffrey V. Smith, County Executive
SUBJECT: COVID-19 Funding Appropriation

RECOMMENDED ACTION
Approve Request for Appropriation Modification No. 218 - $175,099,960, increasing revenue and expenditures in the Controller-Treasurer Department budget for COVID-19, relating to COVID-19 reimbursable costs and intergovernmental revenue. (4/5 Vote)

FISCAL IMPLICATIONS
The recommended actions establish the initial budget for use of COVID-19-related federal funding and cost reimbursement with the expectation that further modification of the budget will be necessary in the future as more information is known and additional fiscal relief is acquired from federal and state sources. The initial budget for the new fund includes appropriation of $25,000,000 for Services and Supplies, $30,000,000 for Fixed Assets, and $120,099,960 to be transferred to multiple funds and budget units for COVID-19-related costs.

There are three sources of revenue associated with this action. The first revenue is the CARES Act - Coronavirus Relief Fund allocation in the amount of $158,099,960. The second revenue source is Public Assistance from the Federal Emergency Management Agency in the amount of $15,000,000, which represents projected expenditures through June 30, 2020. The third revenue source is the State Office of Emergency Services Public Assistance Match contribution, in the amount of $2,000,000, which represents the State’s share of allowable Public Assistance cost reimbursement.

REASONS FOR RECOMMENDATION
This is just the first of what will be several reports and requests to appropriate COVID-19-related federal and state allocations, grants and cost reimbursement programs. Multiple sources have been and will be developed by federal and state legislation and agencies. Administration will frequently update the Board as these federal and state resources are known, quantified and available. In each instance, the Administration will seek Board
authorization to use them in the fight against this pandemic and the mitigation of its humanitarian and fiscal fallout.

The CARES Act appropriated $150 billion nationally for the new Coronavirus Relief Fund. The language regarding eligible local government expenses to be funded by this new fund is broad, referencing “necessary expenditures incurred due to the public health emergency” and, therefore, not limited to any particular County department or system of care. A new County fund named “COVID-19” is recommended to track the County’s receipt, uses and allocations of this new revenue and similarly broad intergovernmental revenue for COVID-19 cost reimbursement.

On April 22, the County received $158,099,959.50 from the CARES – Coronavirus Relief Fund. The Act limits the County’s use of these funds to only pay for costs that:

a. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); and,

b. Were not accounted for in the County’s budget most recently approved as of March 27, 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The budget for COVID-19 cost reimbursement recommended in this report serves as a supplementary budget for the necessary expenditures incurred due to the public health emergency and eligible for federal and state funding and reimbursement.

The national emergency declaration enables the Federal Emergency Management Agency (FEMA) to reimburse states and local governments for some costs associated with measures taken before, during, and immediately after an incident to save lives and to protect public health and safety. Counties may request reimbursement through FEMA and the California Office of Emergency Services for emergency protective measures, including, but not limited to the following:

a. Management, control and reduction of immediate threats to public health and safety, such as Emergency Operations Center costs, disinfection of eligible public facilities, and technical assistance on emergency management and control

b. Emergency medical care, such as services and supplies, temporary medical facilities, enhancement of hospital capacity, use of specialized medical equipment, medical waste disposal, and emergency medical transport

c. Medical sheltering

d. Reimbursement of County employee overtime cost for responding to the emergency

The new COVID-19 fund will assist the County in tracking eligible costs to be claimed for FEMA reimbursement and the eventual receipt of FEMA reimbursement revenue. The federal disaster reimbursement and auditing process is a multiyear process. Sometimes a decade will pass before final reconciliation of FEMA audit findings. Therefore, use of this separate fund will help ensure maximum cost recovery over an extensive time period.
Based on initial tracking of COVID-19 response costs, the Administration estimates the County will expend $17,000,000 by June 30, 2020 on expenses eligible for cost reimbursement by the Public Assistance program administered by FEMA. The FEMA share of this cost is estimated at $15,000,000. The State Office of Emergency Services’ share of this cost reimbursement is estimated at $2,000,000, based on historic cost sharing formulas. These estimates will be updated as more information is known.

The County has been tracking COVID-19-related costs using specific coding in the County’s financial and timekeeping systems to provide a good accounting record to support maximum cost-recovery from federal and state revenue sources aimed at COVID-19 impact mitigation. The Administration will carefully and strategically match different COVID-19-related costs to the various funding sources in a way that maximizes the use of the various outside funding sources and minimizes the net local cost impact.

The Administration encourages the Board and local stakeholders to continue advocacy efforts for additional federal and state fiscal relief for COVID-19 impacts, with particular need for funding that can be used to offset the great loss of revenue occurring now and throughout the next fiscal year or two as a result of the pandemic’s impact on economically sensitive governmental revenues such as sales tax, property tax, motor vehicle fees, patient service fees, and other fees for public service. With success in garnering further federal and state aid, the County can use this new fund to receive and track allocations to ensure compliance with funding source requirements, clear audit trails, transparency and comprehensive reporting for a multitude of funding sources.

The initial recommended budget for the new fund anticipates transfers to multiple County funds and budget units before the end of this fiscal year to reimburse County departments for COVID-19-related costs including but not limited to personnel, supplies, professional services, fixed assets and capital improvement. This budget anticipates that there will also be costs directly charged to the new fund for such expenditures. The Board will be asked to re-appropriate any unused funding at the end of this fiscal year for use in the next fiscal year. An estimate of unused funding for re-appropriation will be brought to the Board on June 23, 2020, and a reconciliation of the estimate will be brought to the Board in the fall, after the current fiscal year accounting is complete. Further, the initial recommended budget for the new fund may need to be adjusted in June after the May accounting activity is known and analyzed.

Initial Recommended Budget for Fund 0409 – COVID-19

Appropriation for Expenditure:

- Services and Supplies: $25,000,000
- Fixed Assets: $30,000,000
- Transfers Out: $120,099,960

Estimated Revenue:

- Federal Disaster Assistance: $173,099,960
- State Disaster Assistance: $2,000,000
On May 5, 2020, the Board of Supervisors appropriated $25 million to fund facility improvements to the DePaul Health Facility to serve as an asset in the COVID-19 response. The recommended budget adjustments in this action include a pass-through of federal funding through this new fund to the DePaul Health Facility project approved at the May 5, 2020 Board meeting to help ensure comprehensive accounting and reporting.

Department-Specific Revenues

This initial budget does not include estimated revenue or proposed uses of department-specific revenues from the CARES Act or other federal or state grants targeted for specific County departments, including but not limited to:

- A 6.2 percentage point FMAP increase authorized in the Families First Coronavirus Response Act. This benefit will flow directly to County departmental revenue by reducing the necessary non-federal share of cost reimbursement.

- Federal funding for Santa Clara Valley Medical Center and other healthcare providers through the Public Health and Social Services Emergency Fund by the United States Department of Health and Human Services for diagnosis, testing, or care for individuals with possible or actual cases of COVID-19.

- California Department of Public Health – Emergency Preparedness Office allocations from the State Department of Public Health to the Santa Clara County Public Health Department for grant-allowable costs.

- Federal and state emergency homeless funding and assistance grants allocated to the County Office of Supportive Housing.

The budgets for Santa Clara Valley Medical Center, Public Health Department, Office of Supportive Housing and other County departments may require adjustment as these department-specific revenues are expected, received, or earned.

CHILD IMPACT

The recommended action will have a positive impact on children and youth since it will assist with the efficient and effective allocation and use of federal and state funds to provide health and safety services to the County’s residents in relief of COVID-19 impacts.

SENIOR IMPACT

The recommended action will have a positive impact on seniors since it will assist with the efficient and effective allocation and use of federal and state funds to provide health and safety services to the County’s residents in relief of COVID-19 impacts.

SUSTAINABILITY IMPLICATIONS

The recommended action will have no/neutral sustainability implications.

BACKGROUND

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act 2020) was signed into law on March 27, 2020. The Act focuses on stimulating the economy, addressing healthcare services, addressing revenue losses, and increasing allocations to certain grant programs. Of
particular interest to the County are programs administered by the United States Department of Health and Human Services available to state and local government entities and healthcare providers to enhance their abilities to provide services for those impacted by SARS-CoV-2 and the disease it causes known as COVID-19.

CONSEQUENCES OF NEGATIVE ACTION
If funding is not made available, then the County cannot move forward with paying invoices and tracking COVID-19 costs and claims for reimbursement in a way that maximizes the County’s cost recovery.

STEPS FOLLOWING APPROVAL
Upon approval, the Clerk of the Board is asked to notify Alan Minato in the Finance Agency and Greg Iturria in the Office of Budget and Analysis.

ATTACHMENTS:
- Appropriation Modification No. 218 (PDF)