

Item Title: Appropriation of Federal Relief Funds Associated with COVID-19

Specific Action Requested:

That the Board of Commissioners amends the fiscal year 2021 budget to appropriate \$71,813,121 of Coronavirus Relief Funds for the costs associated with Wake County's COVID-19 response.

Item Summary:

Purpose: Provide funds to cover the costs of salaries and overtime, necessary equipment and supplies, contract services, and other expenses associated with the County's response to COVID-19.

Background: The County is responsible for several functions during emergency events, including but not limited to public health and safety, emergency response, communications, and community recovery. Normal operating budgets may not support the expenses for these functions. This budget appropriation recognizes funding provided by the US Treasury to respond to the current public health emergency and its secondary effects on Wake County services and residents.

Board Goal: Supports County operations for emergency response efforts.

Fiscal Impact: This item appropriates the remaining \$71,813,121 of the County's \$194 million in Coronavirus Relief Funds (CRF). The appropriation assumes all expenses associated with response efforts to the COVID-19 emergency through December 30, 2020.

Additional Information:

In March, Congress and the President approved a \$2 trillion stimulus package, known as the Coronavirus Aid, Relief and Economic Security (CARES) Act. This federal aid package included aid local governments in funding response efforts. In late April, the County received approximately \$194 million from the US Treasury, called the Coronavirus Relief Funds (CRF). Generally, these funds can be used toward direct response efforts (payroll expenses, supplies, communications, public health, emergency housing and food security needs, distance learning/teleworking, public safety) as well as "second order effects" for individuals and businesses impacted by COVID-19 related restrictions.

In May 2020, staff presented a funding plan for the total \$194 million relief package, to include the categories of: (1) Public Health Emergency Response, (2) Community Response & Resiliency, (3) Continuity of Operations, (4) Economic Recovery, and (5) Miscellaneous. Also, at the May meeting, the Board appropriated approximately \$62.7 million of the CRF, anticipated to be used through June 30.

In August, staff presented an update of expenditures through June 30, progress on each of the funding plan areas, and anticipated/planned expenditures through December 30.

In August, the Board appropriated an additional \$59.5 million of the CRF, bringing the total appropriation to \$122.2 million and leaving \$71.8 million unappropriated.

Since August, programs such as Wake Supports (the childcare assistance program) and the House Wake eviction prevention program have launched; therefore, some of the funding plan by program has shifted to accommodate these initiatives.

The following chart reflects the updated funding plan by category/program, expenditures through September 30, and anticipated expenditures (in millions) through December 30.

| Category / Program | Amended Budget | Actual Costs (through 9/30) | Anticipated Total Costs (through 12/30) | Remaining Budget |
|----------------------------------|----------------|-----------------------------|---|------------------|
| Public Health Emergency Response | \$32.0 | \$14.3 | \$24.0 | \$8.0 |
| Community Response & Resiliency | \$32.2 | \$6.1 | \$40.0 | -\$7.8 |
| Continuity of Operations | \$48.7 | \$21.3 | \$44.7 | \$4.0 |
| Economic Recovery | \$9.3 | \$.1 | \$9.3 | \$0.0 |
| Total | \$122.2 | \$41.8 | \$118.0 | \$4.2 |

The County continues to work diligently and aggressively to spend down the CRF dollars already budgeted by the December 30 deadline.

With approximately seven weeks until the current deadline of December 30 on the CRF and no pending federal legislation extending the deadline, County staff has developed a plan to appropriate the remaining \$71.8 million and allocate certain eligible General Fund expenses to the CRF. This plan then recommends that the “freed up” General Fund budget capacity be used through the remainder of FY 2021 and reserved for future fiscal years’ expenses associated with the COVID-19 response.

Use of CRF for County Public Safety Personnel Costs

To date, the County only has recorded certain personnel costs, including payroll costs of employees assigned to EOC (or COVID specific) operations and COVID premium pay provided to front-line employees, to the CRF budget. The intent of this budgeting and accounting practice was to keep the use of federal dollars as closely aligned with their original eligible purposes and keep all COVID-related expenses within a single fund in the County’s budget.

Under federal CRF guidance, all payroll costs for public safety employees are considered “substantially dedicated” to mitigating or responding to the COVID-19 public health emergency and are considered eligible expenses.

To utilize as much of the CRF prior to the December 30 deadline, staff proposes allocating all payroll costs from the Wake County Sheriff’s Office and Emergency Medical Services from July 1 through December 30, 2020 to the CRF. The estimated payroll costs total approximately \$54 million.

This accounting change would free up \$54 million of the FY 2021 General Fund budget, which staff proposes be dedicated to the County's continued COVID-19 response beyond December 30. The eligible uses of this \$54 million would be prioritized as follows: (1) to support the County's public health COVID-19 operations through the remainder of FY 2021 and FY 2022, (2) continuity of operations, and (3) continued community response programs. This accounting and budgetary change has zero net effect on WCSO and EMS operations.

Use of CRF for Municipal Public Safety Personnel Costs

Since the receipt of the CRF, the County has been providing partial reimbursements to Wake municipalities for eligible expenses incurred, including PPE, facility modifications, improvements to telework capabilities, and COVID pay. As had been discussed in prior updates, the County had hoped that additional federal legislation would allow for the flexibility to use CRF dollars for revenue replacement, in which case the County would have developed a distribution allocation between the County and the municipalities.

Since the above scenario for revenue replacement is unlikely, the County proposes allocating up to \$17 million of the remaining CRF to municipalities to cover certain eligible public safety payroll costs incurred in FY 2021.

Based on the above change in approach with respect to public safety costs, the proposed budget for the County's \$194 million of Coronavirus Relief Funds would be the following:

| Category / Program | Amended Budget | Proposed Budget | Increase (Decrease) |
|------------------------------------|----------------|-----------------|---------------------|
| Public Health Emergency Response | \$32.0 | \$24.0 | (\$8.0) |
| Community Response & Resiliency | \$32.2 | \$40.0 | \$7.8 |
| Continuity of Operations | \$48.7 | \$49.7 | \$1.0 |
| Economic Recovery | \$9.3 | \$9.3 | \$0.0 |
| Public Safety (County & municipal) | | \$71.0 | \$71.0 |
| Total | \$122.2 | \$194.0 | \$71.8 |

Summary

The County's approach to the use of the Coronavirus Relief Funds has been conservative, understanding that the response to the COVID-19 pandemic would be long-term and multi-faceted. The goal had been to keep the most directly related expenses aligned with the federal dollars through and beyond December 30. Although the proposed scenario doesn't achieve this goal, it does provide the means necessary to continue supporting the County's COVID-19 operations for some time.

The reallocation of General Fund expenses will take place administratively after the all actual payroll expenses for EMS and WCSO through December 30 are recorded in the financial system. The resulting budget capacity will be prioritized to support the County's ongoing public health response to COVID-19 in Human Services, continuity of operations, and then community needs. Any portion of the estimated \$54 million not spent at June

30, 2021 would be committed in the County's fund balance to support future budget year expenses associated with continued COVID-19 response.

County staff continue to ensure the maximum benefit is achieved with any remaining CRF dollars. Given the volatile national political climate, staff may bring back to the December Board of Commissioners meeting any final adjustments needed for this plan in response to federal legislative changes.

Attachments:

1. Presentation
2. Budget Memo