



County of Fairfax, Virginia

MEMORANDUM

DATE: April 29, 2020

TO: Board of Supervisors

FROM: Bryan J. Hill
County Executive *B. Hill*

SUBJECT: *FY 2020 Third Quarter Review Update*

On March 24, 2020, I released my recommendations for the *FY 2020 Third Quarter Review* for the Board of Supervisor's consideration. Those recommendations included only those adjustments considered essential to the current fiscal year's budget and included a recommended \$11.3 million reserve for the County's response to the Coronavirus Pandemic.

Since that time, as the Board has been notified, the County has received over \$200 million in stimulus funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund. These one-time funds can only be used to cover costs that:

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

Eligible expenses include those related to the direct response to the crisis, such as public health needs, as well as those incurred to respond to "second-order effects" of the pandemic, including providing economic support to those impacted from employment or business interruptions. It should be noted that the guidance specifically prohibits CARES funds to be used to offset revenue losses.

This memo includes a recommendation to recognize and appropriate this revenue in the General Fund to provide the County flexibility in responding to the ongoing crisis. It is anticipated that most of this funding will be unspent at year-end and will be carried over in FY 2021. Additionally, it should be noted that any unspent funds as of December 31, 2020 will be required to be returned.

CARES funding is anticipated to be utilized to cover expenses related to the County's direct response to the pandemic – including additional Health Department positions and the provision of personal protective equipment, as well as expenses related to promoting teleworking options to protect the health and safety of County employees. This memo also includes details regarding recommendations to utilize this funding in order to respond to our community's most basic needs by increasing funding to our non-profit partners to provide assistance for food, housing, and utilities to residents who have been negatively impacted by the pandemic, as well as provide funding to help sustain our non-profit safety net providers. Staff is also in the process of developing recommendations to expand support for other non-profit organizations, as well as small businesses, and it is anticipated that an item will be prepared for the Board's consideration as part of the May 12 Board of Supervisors meeting.

In addition to the CARES funding received in the General Fund, the County has received other targeted stimulus dollars which will be tracked through the Federal-State Grant fund or one of the Housing Funds. This update memorandum also outlines recommendations to recognize and appropriate these funds, which will eliminate the need for separate accept grant Board items and allow for streamlined approval concurrent with the Board's action on Third Quarter.

County staff are tracking expenditures related to response efforts and will be evaluating each expense against the eligibility guidelines for the CARES Funding, as well as all other funding options, to maximize reimbursement opportunities. Funds will be utilized to cover expenses across the County – not only those in the General Fund. County leadership is working closely with Fairfax County Public Schools to assist in their efforts to respond to the crisis and determine the appropriate use of stimulus funds.

County agencies continue to defer all non-critical expenditures and will continue doing so through the remainder of FY 2020, at a minimum. This includes maintaining position vacancies and filling only those positions critical to continue to operate core County functions. These steps are necessary to maximize year-end flexibility to offset potential revenue losses. Staff are closely monitoring revenues and anticipate General Fund revenues to be \$35-40 million lower than current budgeted revenues in FY 2020. However, it is important to note that revenue projections are highly speculative at this point as the data for categories expected to be most impacted by the pandemic lag by a couple of months. Staff will continue to provide updates to the Board, as appropriate, as projections are refined.

As revenues will be impacted in the General Fund, they are also expected to be significantly reduced in other County funds, including Park Authority and Wastewater Funds. Although staff in both agencies are taking steps to reduce expenditures, and reserves are in place to help mitigate the impact of revenue losses, additional funds may be required to sustain and improve the financial position of some funds. If necessary, recommendations will be included as part of the *FY 2020 Carryover Review*.

In addition to the adjustments included in the initial *FY 2020 Third Quarter Review* package, the following adjustments are recommended.

Recommended Adjustments in the General Fund

CARES Act Coronavirus Relief Fund

	NON-RECURRING	
	FY 2020 Revenue	\$200,235,485
Agency 87, Unclassified Administrative Expenses	FY 2020 Expenditure	<u>\$200,235,485</u>
	Net Cost	\$0

An increase to revenues and expenditures of \$200,235,485 is recommended in Agency 87, Unclassified Administrative Expenses, to recognize the revenue received from the Coronavirus Aid, Relief, and Economic Security (CARES) Act Coronavirus Relief Fund. These funds will be used to cover expenses related to the County's response to the pandemic, including support for basic needs in the community and to sustain non-profit organizations. Specific proposals related to these priorities are provided below. Examples of other potential uses of the CARES funding are also outlined below.

Basic Needs Supplemental Funding

An amount of \$20 million is recommended to be utilized for increased support to the County's non-profit partners to support basic needs in the community. As the Board is aware from the weekly CBO (Community-Based Organization) Coordination updates that are delivered each Wednesday, the County's long-established Coordinated Services Planning (CSP) hotline (703-222-0880) for

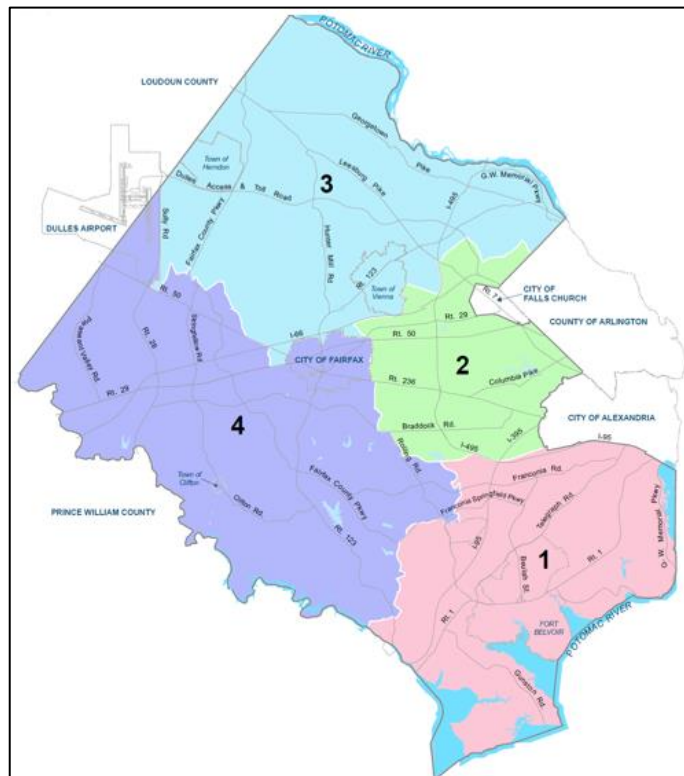
residents facing emergency need difficulties has seen significant call volume increases since the start of the COVID-19 public health crisis. Calls to the line are at least double the amount from a comparable timeframe last year. Further, soon after this crisis began, the Department of Neighborhood and Community Services stood up a Community Provider Coordination Team to directly engage the vast network of community-based organizations that make up the County's social safety net of services. One conclusive theme runs through both the call line volume and the work of the CPCT: the need for help is real, is vast, and is immediate.

To address the community's need, funding of \$20 million will be allocated for the purpose of distribution to the existing network of CBOs directly connected to the (CSP) model. Funds will be awarded to existing CSP CBO providers because they have the capacity and protocols in place to disburse funding quickly and are able to comply with necessary data requirements. The CSP model serves community members in a multilingual call center environment and is a screening agency for referral to local CBO partners for access to needed resources.

CSP staff will conduct the eligibility determination as a part of their existing assessment and by doing so will eliminate the need for CBOs to become subrecipients of federal funds. This will significantly decrease CBO reporting requirements, as well as the County's need for monitoring an outside entity in the area of eligibility determination. This furthers the goal of getting these funds to those individuals and families in need as quickly as possible.

Funding will support direct client assistance and staff directly supporting food and financial assistance. Financial services funding will provide assistance to meet the following needs: rent, mortgage, security deposits, housing fees (late, condo, HOA, etc.), utilities, and prescription assistance. Support will be targeted toward individuals with no more than 100 percent of Area Medium Income. However, individual situations and circumstances will be assessed through CSP. A maximum of 5 percent per grant will be allowed for staff support needed to carry out these distribution efforts.

Partners will be allocated funds based upon CSP data from CY 2019, with consideration of their capacity and service delivery model. Electronic referral will be coordinated through the existing CSP database. Funding will be allocated to Regions (see map, right, and the following table) utilizing geographic indicators of vulnerability, consistent with the One Fairfax Racial and Social Equity Policy, and will be proportionate to documented CY 2019 community basic needs data.



Recommended Distribution of Funds

Region 1 – 29% of Total Funds

Communities in Region 1: Belle Haven, Central Springfield, Fort Belvoir, Fort Hunt, Franconia, Groveton, Gum Springs, Huntington, Hybla Valley, Lorton, Mount Vernon, Newington, Rose Hill, Virginia Hills

United Community (40% of Region Funding)	\$2,320,000
Lorton Community Action Center (30%)	1,740,000
Good Shepherd Housing (15%)	870,000
Koinonia (15%)	870,000

Region 2 – 26%

Communities in Region 2: Annandale, Bailey’s Crossroads, City of Falls Church, Dunn Loring, Jefferson, Lake Barcroft, Lincolnia, Mantua, Merrifield, North Springfield, Pimmit Hills, Seven Corners

Annandale Christian Community for Action – ACCA (60%)	\$3,120,000
Falls Church Community Service Council – FCS (20%)	1,040,000
Facets (15%)	780,000
Second Story (5%)	260,000

Region 3 – 20%

Communities in Region 3: Great Falls, McLean, Oakton, Reston, Town of Herndon, Town of Vienna, Tysons

Cornerstones (45%)	\$1,800,000
Herndon-Reston Fish (45%)	1,800,000
CHO (5%)	200,000
Share of McLean (5%)	200,000

Region 4 – 15%

Communities in Region 4: Burke, Centreville, Chantilly, City of Fairfax, Fairfax Station, Town of Clifton, West Springfield

Western Fairfax Christian Ministries (33%)	\$1,000,000
Fairfax Fish (33%)	1,000,000
Ecumenical Community Helping Others (33%)	1,000,000

Countywide – 10%

Britepaths (60%)	\$1,200,000
Shelter House (20%)	400,000
Family Pass – Preserving and Strengthening Services (10%)	200,000
New Hope Housing (10%)	200,000

Total Funding **\$20,000,000**

*** It should be noted that Food for Others and Northern Virginia Family Services (NVFS) remain strong partners within the County’s safety net of services. While not included in this distribution of funds, it is planned that a significant additional allocation of CSBG (Food for Others) and CDBG funds (NVFS) will be made directly to those organizations.*

It is anticipated that as the County moves from response to recovery, and understanding the duration of this public health crisis and impact period is unknown, additional funding will be needed to

address sustained basic needs as well as emerging community needs. Programs addressing employment, domestic violence, legal services, after-school care, and other community needs would be eligible for funding to assist in the recovery process. As necessary, resources will be made available to community-based organizations working to address the needs and interests of Fairfax County's diverse community to support awareness of and access to critical information and resources.

Nonprofit Sustainability Program

An amount of \$5 million is recommended to be utilized to support non-profit organizations in the County. Non-profits are a critical part of the county's social safety net, working closely with us to serve the most vulnerable and to build stronger, more equitable communities. But, as we act to curb the spread of COVID-19, nonprofits are experiencing an increasing demand for services while withstanding organizational challenges which are limiting their capacity to fulfill their missions – balancing the need to devise new operating plans to serve as many as possible while also grappling with how to maintain operations and payroll and protect and care for employees.

Strong organizations have greater impact and therefore, it is proposed that a Non-profit Sustainability Fund be established to support the viability of our nonprofit partners through this period of uncertainty. Although this funding will not produce direct client outcomes, an investment in the operations and systems of non-profits will support improved or continued high-quality service to beneficiaries by strengthening the core capacities of non-profits to carry out their missions.

Non-profits that function as a part of Fairfax County's social safety net in the areas of *Financial Stability, Food and Nutrition, Literary/Educational Attainment, Health, Housing, Positive Behaviors and Healthy Relationships*, and/or *Support/Community/Social Networks* will be eligible to apply for funding through the Nonprofit Sustainability Program to address immediate organizational and operational needs. The program will support projects that address an identified area of organizational capacity constrained related to the impacts of COVID-19, to include, but not limited to:

- Employee Retention;
- Equipment and Materials;
- Rent Payments;
- Debt Payments; and
- Technology Upgrades.

To apply for funding, organizations will complete an application form with basic information about the organization, a statement of need(s), and proposed use(s). Allocations will be made based on the number of employees the organization has serving Fairfax County residents, with an additional allocation possible for organizations with significant operating expenditures. Grants will not exceed \$75,000.

As the COVID-19 situation progresses and the organizational impacts to nonprofits become more apparent, we will determine the need for allocating additional resources to support nonprofits in implementing substantive adjustments to their organizational and operational structures in response to changing circumstances related to the pandemic.

Other Potential Uses

CARES funding is anticipated to be used to cover a variety of expenses related to the County’s response to this unprecedented health crisis. In many cases, expenses posted against the County’s pandemic reserve – recommended to be set aside as part of the *FY 2020 Third Quarter Review* – will be eligible for reimbursement under CARES. These uses include, but are not limited to:

- Costs related to the purchase of personal protective equipment, including masks, face shields, gloves, and gowns
- Expenses related to the new Health Department positions recommended in FY 2020 (as well as those recommended for FY 2021) to help battle the coronavirus pandemic
- Overtime costs for public health and public safety employees substantially dedicated to responding to the public health emergency
- Expenses related to expanding telework options for County employees, including the purchase of additional laptops as well as increased licensing
- Expenses related to the disinfection of public areas, including the procurement of cleaning and sanitary supplies
- Expenses related to the procurement of hotel facilities for housing at-risk homeless populations (funds will be supplemented by Emergency Solutions Grant funding, as described below)
- Support for the County’s Federally Qualified Health Centers so they can continue to safely and effectively provide healthcare services to residents in our community, including testing and treatment of COVID-19 patients
- Allowable expenses associated with recovery efforts
- Support for the County’s non-profit organizations (excluding safety net providers addressed in the sustainability program described earlier). Staff will make a recommendation, including provisions for additional for-profit assistance beyond the existing microloan program, as part of the May 12 Board of Supervisors meeting.

In addition, as the Board was notified on April 22, \$7.2 million in CARES funds will be allocated to the towns of Herndon, Vienna, and Clifton. Towns are subject to the same eligibility guidelines as the County, and staff are working closely with their counterparts in the towns to ensure that expenses are appropriately documented. Payments were provided to the towns on April 28.

Support for Volunteer Fairfax

Fund 10030, Contributory Fund Reserve for Coronavirus Pandemic	FY 2020 General Fund Transfer FY 2020 Expenditure Net Cost	NON-RECURRING \$35,370 <u>(\$35,370)</u> \$0
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The General Fund transfer to Fund 10030, Contributory Fund, is recommended to increase by \$35,370 to provide increased support to Volunteer Fairfax to meet growing community needs associated with COVID-19. The organization actively participates in emergency preparedness activities and coordination through its support of the County’s Emergency Management Coordinating Council and Emergency Operations Center. This funding will be used for additional staff time to directly support the organization’s work under the Volunteer and Donations Annexes of the Emergency Operations Plan and to leverage relationships with emergency response-related community-based organizations and non-profit organizations.

It should be noted that CARES Funding may be able to be utilized to offset this increased support. However, in order to expedite assistance to Volunteer Fairfax, it is proposed to draw down from the recommended reserve to respond to the coronavirus pandemic and increase the existing support for Volunteer Fairfax in the Contributory Fund. This action would bring the reserve level from \$11,296,481 to \$11,261,111.

Recommended Adjustments in Other Funds

In addition to adjustments in the General Fund, the County has received notices of stimulus funding for specific programs which are recommended to be appropriated in other funds. These awards would typically come to the Board of Supervisors for approval as part of a grant Board item. However, in order to expedite approval of these funds, they are recommended for Board action as part of the *FY 2020 Third Quarter Review*.

It should be noted that the County has received notification of other awards not specifically noted in the recommendations below. As these funding amounts are finalized – and official documentation is received – these grants will come before the Board for approval at upcoming Board meetings, as appropriate, or at future quarterly reviews. For example, the County has learned of CARES funding which is anticipated to provide support for County transit. Metrorail, Metrobus, MetroAccess and Fairfax Connector have adjusted service to continue to provide essential trips while mitigating public health concerns. While the current level of service is not sustainable in the long-term, the County has sufficient resources available to meet requirements for both systems through the remainder of FY 2020. Federal CARES act support will mitigate the impact of service disruptions. Adjustments reflecting the receipt of credits related to the CARES act, as well as any required operating adjustments, will be made as part of the *FY 2020 Carryover Review*. The County's credits will be held by NVTC and applied to future requirements.

Fund 50000, Federal-State Grants ***Emergency Solutions Grant COVID-19***

An increase of \$1,699,586 to both revenues and expenditures is recommended in Fund 50000, Federal-State Grants, for the Emergency Solutions Grant COVID-19, 1CV3801-2020, as a result of an award from the U.S. Department of Housing and Urban Development (HUD) as authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funding will primarily be used to create additional emergency shelter capacity, including new isolation and quarantine shelter beds in local hotels. There are no positions associated with this funding and no Local Cash Match is required.

Fund 50000, Federal-State Grants ***CARES Act Provider Relief Fund***

An increase of \$699,387 to both revenues and expenditures is recommended in Fund 50000, Federal-State Grants, for the CARES Act Provider Relief Fund grant, 1CV9201-2020, as a result of an award from the U.S. Department of Health and Human Services (DHHS) as authorized by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Funding was allocated based on the Medicare fee-for-service reimbursements received for EMS ambulance transport in 2019. Funding will be used to prevent, prepare for, and respond to coronavirus, and to reimburse the County for health care-related expenses. There are no positions associated with this funding and no Local Cash Match is required.

Fund 50800, Community Development Block Grant
CARES Act Funding through the Department of Housing and Urban Development

An increase of \$3,506,542 to both revenues and expenditures is recommended in Fund 50800, Community Development Block Grant (CDBG), to recognize funds from the federal CARES Act through the U.S. Department of Housing and Urban Development (HUD). The CDBG program seeks to stimulate the development and preservation of low- and moderate-income housing through the provision of loans, public facilities, and improvements directed toward conserving and upgrading low- and moderate-income neighborhoods. It also supports the provision of special outreach and assistance services to low- and moderate-income households. These funds will be used to provide emergency rent and utility assistance for families who have lost income due to COVID-19; operating support for affordable housing providers whose tenants are unable to pay their rent; and administrative support, if needed, to implement and monitor these activities. There is no Local Cash Match associated with this award.