



Conor Baldwin
Chief Financial Officer

Allison Chambers
Deputy CFO

MEMORANDUM

TO: Eileen M. Donoghue, City Manager *EMD*
FROM: Conor Baldwin, Chief Financial Officer *CB*
DATE: August 6, 2020
SUBJECT: Informational – CARES Act funding update

In May of FY2020, the Secretary of Administration and Finance, Michael Heffernan, informed municipal executives across the Commonwealth that the state was preparing to distribute federal dollars from the Coronavirus Relief Fund (“CvRF”) to municipalities for specific COVID-19 response costs, consistent with parameters established by the federal Coronavirus Aid, Relief, and Economic Security Act (the “CARES” Act) and guidance from the US Treasury Department. The memo, and subsequent guidance released in May and June, summarized the Commonwealth’s approach to providing money through the CvRF to municipalities. The City of Lowell was notified that it was eligible for up to \$9,845,688 in reimbursement for certain categories of costs specifically related to the COVID-19 pandemic. Additionally, the Lowell school district was awarded \$4,707,937 in separate funding (“ESSER”) to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools.

That guidance outlined certain eligible costs incurred by local governments to pay for COVID-19 response, specifically:

- Necessary expenditures incurred due to the public health emergency with respect to COVID-19;
- Funds which were not budgeted as of March 27, 2020 and;
- Costs incurred between March 1, 2020 and December 30, 2020.

Prior to the release of the information the city sought permission from the Department of Revenue (“DOR”), pursuant to special legislation, to deficit spend on costs associated with the pandemic. The city received approval on April 23, 2020 and set-up a special revenue fund to account for the costs. The preliminary estimate was based on submissions from LPD, LFD, and the Health Department on ongoing activities to address the public health crisis. In essence, this special account relieves the burden on the general fund from having to absorb costs in FY2020 and FY2021 that were not budgeted.

Since the spring and early summer, the cost estimates for other COVID-19 related expenses are beginning to materialize, specifically as it pertains to necessary improvements to city facilities. These costs include, but are not limited to, air purifiers, HVAC improvements, window repairs, and water filtration systems in the city’s building and schools. As the DPW works with the



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school facility department to further develop specifications, the amounts needed for these improvements will quickly reduce the total amount available under the CARES allocation.

To date, the city has not yet applied to access the available CARES funding. It was recommended by the Commonwealth that, unless municipalities needed to access CARES money for purposes of maintaining adequate cash flow for year-end FY2020 that the deadline for application is December 31, 2020. With the accounting procedures provided in the special legislation, the City of Lowell did not fall into this category, but will soon begin the application process. FEMA assistance was recommended as the first funding source to be pursued by municipalities. The expenditures are to be offset as FEMA reimbursements are received. After the city receives final reimbursements from FEMA, any remaining expenditures in this account might possibly be covered by CARES ACT CvRF reimbursements depending on further guidance received from the federal government. If not, any deficit will need to be provided for in the ensuing fiscal year's tax rate recap.

At the federal level, Congress is still currently negotiating the specifics of a final relief package which may or may not provide additional monetary relief to cities and towns. One potential compromise option could include an easing of restrictions on previously appropriated CARES money, but without an additional appropriation. Considering the fluid nature of the potential future stimulus, the city must be conservative with existing CARES funds in the event that no additional money is allocated from Congress.

Please let me know if there are any additional questions.