

**Open Work Session
Federal CARES Act Funding
May 19, 2020**

Mr. Wayne Strausburg, Director of Administration, came before Council. Mr. Strausburg said the first installment of money for the Federal CARES Act, which he thinks was \$9.2 million dollars, is for health related COVID reimbursement, so everybody is tracking the COVID-19 related costs that are being incurred, they will send those to the State, and they will be reimbursed for those. He said the second half of the \$9.2 million includes business assistance, and the smaller Counties made the point that if they are going to be aggressive about business assistance, smaller Counties cannot afford to forward fund \$9.2 million dollars in business assistance. He said initially the U.S. Treasury held firm that this would only be on a reimbursement basis. He said the National Governor's Association with Governor Hogan at the lead convinced the Treasury to relax that, and the Treasury has agreed to actually forward fund that \$9.2 million. He said, in other words, they will send through the State Department of Health a wire transfer for \$9.2 million dollars. He explained, the rub is that the County has to sign a Federal Funding Certification and Agreement that, if money is spent, but then the U.S. Treasury audits, and they will audit, and determines that the money was not spent in a manner they feel is appropriate, the County's full faith in credit is on the line, and that money has to be repaid. He clarified, not only would any money spent by the County have to be repaid, but any money that may have been spent by municipalities that the Treasury does not approve of has to be returned. He said he has asked Mr. Wilber whether or not they have under their Code and Charter the legal authority to sign this kind of an agreement. He said, thinking through it, they are in fact pledging the full faith in credit of the County to provide funds to the private sector where they do not have as clear assurance from the U.S. Treasury as they would like to have as to what is a qualified expenditure and what is not. He said worst case scenario, there is money spent with good intentions, the Treasury comes back and says they do not think that was an appropriate expenditure, and they want their money back. He said, having spent that money, the only way it goes back to the Treasury is it would come out of the County's reserves, taxpayer money the County has held in reserve and paying it back having provided it to the private sector. He said he is personally not comfortable being in that position. Mr. Dodd asked if that is the way it is with most grants, to which Mr. Strausburg responded, no. He said with most grants they have a discrete scope of work, and that discrete scope of work is approved. He said they spend the money and prove they did the work, and they are good to go.

Mr. Strausburg said he provided Council with frequently asked questions that came from the Treasury with regard to their guidance on how this money can be spent. He said he actually sent emails yesterday to Senator Cardin and Senator VanHollen's offices asking for them to prevail upon Treasury to provide the County with more clarity with regard to what is and what is not allowable. He said, to be honest, what he is hearing from the business community is "Please let us reopen". He said they have gotten very little in the way of "Send us money," but they are being asked to please prevail upon Governor Hogan to allow them to reopen. He said, in that regard, there was a proposal that came from the Maryland Restaurant Association. He said John Knorr sent it to him yesterday, and it proposes a gradual reopening of the restaurant industry here in the State of Maryland, but particularly here on the Lower Shore. He said, if the County wants to assist that sector, which is a significant sector on the Lower Eastern Shore, that is one of the best ways they can assist that sector. He said he has spoken with Mayor Day and with

Executive Culver, and they are supportive of this gradual reopening. He said Worcester County has already sent a letter to Governor Hogan urging this gradual reopening, and he would propose that Wicomico County and the City of Salisbury do the same thing.

Mr. Holloway said the real risk here is, if they send the County this money and they go to assist businesses, who do they chose to assist, what do they do with the money after they give it to them, and who is responsible for that if they do not use the money wisely. Mr. Strausburg responded, to be honest, based on what he has been hearing from the business community, he thinks a reimbursement model may be a better model for the County because he thinks they can turn that around quickly. He said they can be assured that if a business comes to them and says they did X, Y and Z, they had this amount of loss from business interruption over a period of time, and they send that to the State, who says they are good to go, and they get that check back, that is much safer, he thinks, than the County accepting \$9.2 million in cash and beginning to dole it out themselves without the level of clarity that, quite frankly, he would be comfortable with. He said the big push for himself is to safely get their businesses reopened. He said, having come out of the restaurant industry, they have already missed Mother's Day, one of the biggest days of the year, and they may miss Memorial Day Weekend. He said most restaurants on the Lower Shore make their money in three months, and the rest of the year may not be very pretty. He said he has heard from people in that sector and in the Chamber that they could be looking at failures on the order of 30 to 40 percent of businesses.

Mr. McCain asked if MACO has given them any guidance on this because all of the Counties are dealing with this same thing, so he is curious what their peers are doing, to which Mr. Strausburg responded, he has not looked at the State as a whole. He said he has been focused on the Lower Shore because the Lower Shore is so much more sensitive to the hospitality and tourism industries. He said he thinks, based on the calls he is on each week, he would tell Council that the metroplex Counties, such as Montgomery, Howard, Prince George's, and Anne Arundel, are less inclined to want to reopen for a number of reasons. Mr. McCain clarified, he is not asking so much about reopening, he is asking about the non-health related CARES dollars. He then asked if they are all leaning towards taking it and distributing it, or are they leaning towards going the reimbursement route, to which Mr. Strausburg responded, it is a mixed bag, and he does not think it is a one-size-fits-all. He said, again, that is a function of what their code and their Charter authorizes them to do. He said he still comes back to his original statement that he is not sure they are on solid legal footing signing this agreement, and putting the full faith in credit of the County and County taxpayers on the line for receipt and expenditure of this money without having a much clearer handle on the details as to what they can and cannot do. Mr. Dodd said he thinks it is worth discussing because it is risky. Mr. Strausburg clarified, he does not want to send a mixed signal. He said they want to assist their small businesses, and they want to assist all of their businesses here in the County, but they are pushing to get more clarity on what the ground rules are, and he thinks they need that, and he thinks they need for Mr. Wilber and Mr. Taylor to weigh in on what legal foundation the County has to sign this document.

Mr. Hastings asked, if the County is a grant administrator, essentially, do they have a certain portion of the cut to offset the costs, and do they have the staffing to administer this, or would the County work with SWED, to which Mr. Strausburg responded, he thinks the best vehicle is through SWED. He said the County does not have the bandwidth to do that, and he is not sure if SWED has the bandwidth do to

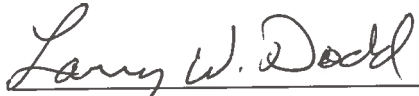
that. He said, under this guidance, they can likely engage a professional firm that would keep them on the right side of the ledger, and that would be an allowable expense under the CARES funding, and they have had discussions on that with Mr. Dave Ryan. Mr. Hastings said reimbursable grant is the way to go, to which Mr. Strausburg responded, reimbursable grant is clean, and it would be vetted up front.

Mrs. Hurley asked if the packet that is in the Brief Book was sent to the State of Maryland, to which Mr. Strausburg responded, that is correct. Mrs. Hurley then asked if Mr. Strausburg got a response from them as to any feedback on what they thought, to which Mr. Strausburg responded, they gave them a May 1 deadline on April 28, thanked the County for the package, and sent them this Federal Funding Certification and Agreement. He said they certainly did not say they did not see anything wrong with it, but the County posed questions they do not have clarity on, but that is not the State's fault or Commerce's fault, that is the U.S. Treasury. He said he is sure Council sees what is going on at the federal level, and for little Wicomico County to get on the radar screen with the U.S. Treasury is why he went to the two senators' offices to see if they could get the County some intel, clarity, and advice as to what they can and cannot do with these funds. He said he got an immediate response, so they are working on it, and hopefully that picture will clear over the next seven days.

Mrs. Hurley said, just for clarification, there are two different pots of money they are talking about. She said they are talking about the \$18 million that would go to the Airport, and then they have another \$9 million that would come to the County. She then asked if that is correct, to which Mr. Strausburg responded, there are actually three pots of money. He said there is money coming through MEMA, and that is coming through the Department of Emergency Management Services. He said that is reimbursable, and for qualifying expenditures the County gets 75 percent funding from MEMA. He said there is \$18.2 million dollars coming through the FAA to the Airport. He said there is \$18.2 million dollars for COVID coming through the Health Department, and the first \$9.2 million dollars of that is specifically restricted to health related COVID expenditures. He said whatever is not spent out of that first \$9.2 million dollars can migrate to the business assistance \$9.2 million dollars. He said that first tranche is very simple because that is reimbursable, but the second tranche is the business assistance portion, which is where it is tricky. He said that portion of this funding is where he is urging a little more deliberation before they make decisions. He clarified, he thinks they can do that rather quickly, and he is not saying he thinks it will be another month, but he thinks they are at least a week away from having a really solid recommendation that he would bring back to Council. Mrs. Hurley asked if that money has to be used by the end of the calendar year, to which Mr. Strausburg responded, that is the other issue with it, the money has to be used by December 2020. He said he pointed out to the senators' offices that he does not think that is a realistic timeframe. Mr. Holloway said that is interesting that they pooled those two funds together where they have to take one to get the other, so they have to take it. Mr. Strausburg said the issue is that the business recovery is going to take longer than the end of this calendar year, so they are in time compression, and they do not have the level of clarity they are comfortable with as to what they can and cannot do. He said, when they mix that together, that is where they can make mistakes because they are rushing to get money out the door, and he thinks that has pitfalls, and he is concerned about that.

There was no further discussion.

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Larry W. Dodd, President, District 3



John T. Cannon, Vice President, At-Large



Ernest F. Davis, District 1



Nicole Acle, District 2



Josh Hastings, District 4



Joe Holloway, District 5



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Laura Hurley, Council Administrator