

TO: Mayor and City Council

FROM: Heidi Nelson, City Administrator
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DATE: October 18, 2021

SUBJECT: Financial contributions to local non-profit organizations

Introduction and background:

In August, the city was approached by several non-profit organizations that requested that the city allocate ARPA funding to them to compensate for losses experienced during the COVID-19 pandemic. The policy framework for consideration of use of ARPA funds in support of non-profits is outlined in federal treasury guidance in the excerpt below:

(c) REQUIREMENTS. — (1) USE OF FUNDS. —Subject to paragraph (2), and except as provided in paragraphs (3) and (4), a metropolitan city, non-entitlement unit of local government, or county shall only use the funds provided under a payment made under this section to cover costs incurred by the metropolitan city, non-entitlement unit of local government, or county, by December 31, 2024— (A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID–19) or its negative economic impacts, including assistance to small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

Further federal guidance in the Interim Final Rule on the use of ARPA funds for non-profits:

Small Businesses and Non-profits. As discussed above, small businesses and non-profits faced significant challenges in covering payroll, mortgages or rent, and other operating costs as a result of the public health emergency and measures taken to contain the spread of the virus. State, local, and Tribal governments may provide assistance to small businesses to adopt safer operating procedures, weather periods of closure, or mitigate financial hardship resulting from the COVID-19 public health emergency, including:

Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;

Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and

Technical assistance, counseling, or other services to assist with business planning needs.

As discussed above, these services should respond to the negative economic impacts of COVID-19. Recipients may consider additional criteria to target assistance to businesses in need,

including small businesses. Such criteria may include businesses facing financial insecurity, substantial declines in gross receipts (e.g., comparable to measures used to assess eligibility for the Paycheck Protection Program), or other economic harm due to the pandemic, as well as businesses with less capacity to weather financial hardship, such as the smallest businesses, those with less access to credit, or those serving disadvantaged communities. Recipients should consider local economic conditions and business data when establishing such criteria.

Upon initial discussion, the City Council also discussed the possibility of directing general fund surplus dollars created from CARES funding to certain local non-profit organizations rather than allocating ARPA funds.

In October, the City Council again discussed the matter of one-time funding allocations to non-profit organizations. At that time, the City Council directed staff to discuss potential parameters that could be established to help determine funding levels and eligibility. As such, the city has several funding mechanism alternatives that would enable offering financial assistance to non-profit groups that have been negatively impacted by or provide services related to the COVID-19 pandemic.

The following provides a policy framework that the Council could use to guide decisions with regard to contributions to non-profits due to impacts of the pandemic:

Policy for contributions to non-profits in response to COVID-19 pandemic:

- 1. The organization must be a registered non-profit in the state of Minnesota.*
- 2. The organization must serve residents of the City of Maple Grove.*
- 3. The organization provides a community-based service, event, or program that is not limited to their membership but benefits the greater good of the Maple Grove community.*
- 4. The program, project or event does not advocate a political or religious affiliation.*
- 5. The organization experienced negative financial impacts of the pandemic; documentation thereof is required to be submitted with request for funding OR the organization provides direct services, education, or advocacy to residents of Maple Grove in response to the pandemic.*
- 6. State statute and federal treasury guidance and eligibility will apply based on the funding source used for the non-profit contribution.*

It is the intent of staff to draft a general policy for contributions to non-profits for Council consideration in the near future. The new policy would apply outside of COVID-19 related impacts and funding.

Funding Sources: The information below outlines each of the funding alternatives, as well as the state law/federal treasury guidance associated with each funding source.

Non-profit assistance up to \$50,000 in aggregate, as governed by state statute:

In this provision, the city has statutory authority to provide funding up to \$50,000 on annual basis (per calendar year) to non-profit organizations from its general fund. This provision would not apply to donations made to food shelves for which the city would have separate statutory authority and no similar funding limit. As Council will recall, at the end of 2020, the city set aside \$1M in former CARES funds to account for any unknown COVID-19 related costs/impacts. The City Council did recently authorize the use \$500,000 of these funds for EDA programming, thus leaving \$500,000 still available. The remaining funds could be used for needs caused by the pandemic or any other city financial need not associated with the pandemic.

Non-profit assistance requests greater than \$50,000 in aggregate – ARPA funds:

If the City Council wanted to provide financial assistance to non-profit organizations that exceeded the annual limit of \$50,000 allowed under state statute, and that assistance was not for local food shelf assistance, the allocation would have to be taken from the City's allocated \$5.1 million of ARPA funding. The use of these funds by non-profits would need to follow all requirements set forth by the U.S Department of Treasury (cited on pg 1 of this memo). The process would include providing documentation to the city, that the city would retain, which documents that the COVID-19 pandemic caused the financial hardship and losses. This documentation could include receipts, prior years similar expenses and revenue reports and any such documentation that support those revenue and expenses. If this funding alternative is used by the City Council, staff would recommend that any entity using these funds provide all required documentation allowing staff the time to review the documentation prior to any payment being made with this source of funds. Council should note that the city's own revenue losses, per the federal treasury formula, exceed the \$5.1million allocation of ARPA funds.

Charitable gambling funds:

Funding could be allocated to qualifying non-profits from the city's charitable gambling funds. This is the funding source the city used to assist with Maple Grove Days expenses this past summer. The use of those funds would not have any limitations other than the current fund balance available and that it be used in accordance with state statute chapter 349 regarding charitable gambling requiring expenditures be for a "lawful purpose" (a community festival would meet that description).

Funding requests:

The Arbor Lakes Business Association (ALBA) has requested a one-time allocation of \$20,000. The city could allocate funding to ALBA utilizing one of the available options discussed above. As an alternative, the city could provide a one-time funding allocation from the charitable gambling proceeds for ALBA's holiday festivities, and a retroactive payment for costs associated with the 2021 Chalkfest. Community festivals are an eligible expense for charitable gambling funds. If the City Council were to allocate undesignated funding to ALBA, the request would be eligible to be allocated from the General Fund surplus created by CARES funding. If the City Council were to provide directed funding for Chalkfest and holiday events, the funding could be allocated from the charitable gambling fund.

ALBA has provided costs that were associated with the 2021 Chalkfest activities, as well as estimated costs for Fall Festival on Main and Hometown Holiday on Main/ Sleighbells and Sparkle Parade. Cost breakdown is as follows:

- Chalkfest - \$43,300
- Fall Festival on Main - \$2,300
- Hometown Holiday/ Sleighbells and Sparkle Parade - \$18,000

These costs are eligible to be funding through the charitable gambling proceeds. Next year, it is expected that ALBA will be in a better position to carry-out these events, due to anticipated increased membership as well as potential assistance from the new Maple Grove DMO.

CROSS has requested a total of \$760,000 from the city. Of that request, \$280,000 is related to food shelf uses, and is thus exempt from the annual non-profit allocation cap of \$50,000. Of CROSS's total request, \$480,000 is associated with the CROSS Peace of Mind Financial Assistance program, and is not exempt from the allocation limit. If granted, those funds would have to be allocated from ARPA funding, and would be subject to federal reporting requirements.

The Maple Grove Arts Center has requested a one-time allocation in the amount of \$5,000. Those funds would be used to offset losses that were incurred due to less classes being offered during the pandemic, and less financial support coming in from usual contributors. This request would be eligible to be allocated from General Fund surplus created by CARES funding or charitable gambling funds.

The Maple Grove Lions have requested a one-time allocation in the amount of \$167,000. Those funds would be used to offset losses that were experienced during the pandemic, primarily due to the loss of charitable gambling income. The Lions would then utilize the funding for its various charitable programs and events. Due to the size of this request, it would have to be allocated from ARPA funding, which would trigger the auditing requirements associated with the federal funding.

Maria's Voice has requested a one-time allocation of \$5,000. While losses strictly due to the pandemic may not have occurred, it is documented that domestic violence has increased during the pandemic, and Maria's Voice exists to raise awareness and prevention of domestic violence. This request would be eligible to be allocated from General Fund surplus created by CARES funding.

Staff seeks direction from the City Council regarding one-time non-profit funding allocations, so that any potential allocations can be brought forward for consideration at the next City Council meeting.

Attachments

Attachment A: U.S. Department of Treasury ARPA Guidance (2 page excerpt)

Attachment B: US Social Security Act – Coronavirus Relief, Fiscal Recovery, and Critical Capital Projects Funds (excerpts)