

Date: August 26, 2020

From: Jim Matherly, Mayor

To: Danyielle Snider, City Clerk

Re: Veto of Resolution No. 4932, as Amended

RECEIVED

AUG 26 2020



City Clerks Office

Pursuant to the City Charter Section 4.2, I am vetoing Resolution No. 4932, as Amended. As explained in more detail in the attached memo, I concur with the recommendation of the CARES Act Fund Committee that a direct grant to Explore Fairbanks is fundamentally unfair to other businesses and nonprofits and that implementation of phase II of the funding distribution will address the needs businesses and nonprofits in a more equitable manner.

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Re: Veto of Resolution No. 4932, as Amended

The Fairbanks City Council created a committee to develop policies and procedures to allocate the \$16 million of federal CARES Act funds received through the State of Alaska. The committee's primary goal was to ensure that as much of the funds as possible were distributed to those impacted by COVID-19, with City government taking as little as possible. The committee also sought to ensure compliance with federal audit requirements and that all individuals and businesses had an equal and fair chance to apply for and receive funds. The committee established three categories for funding (with specific guidelines for each category): medical facilities that provided the primary response to COVID-19; businesses/non-profits with a city business license; and individuals/families.

The committee expected that all the funding would be distributed within a month or so from the start of the program. That did not end up being the case, so a phase II program was initiated for eligible expenses from June 1 through August 31. Three major changes were made in the phase I rules: the \$100,000 request limit for businesses/non-profits was lifted; businesses could no longer claim for inventory replenishment; and no additional funds would be available in the individual/family category as the demand for those funds was much lower than expected. The Committee felt removing the \$100,000 cap would help larger organizations that could document higher expenses. Explore Fairbanks was one example of an organization that could benefit from phase II.

While I sincerely believe that Explore Fairbanks is deserving of our support, I am vetoing Ordinance No. 4932, as Amended, for the following reasons:

Resolution 4932 was written by Explore Fairbanks. It awarded Explore Fairbanks a large amount of money for expenses outside of the timeframe allowed for other organizations under phase II. This violates one of the committee's goals of offering equal and fair opportunity for distribution to Fairbanks businesses and non-profits that have been negatively impacted. By passing this resolution, the Council is effectively saying that the rules apply to everyone except Explore Fairbanks. I can't be a part of that.

At the last council meeting one council member stated that anyone could write up a resolution and present it to the council asking for exceptions. Since Monday night's meeting, I have been contacted by an organization that wants to make a similar arrangement as what is being offered to Explore Fairbanks. By making special rules for certain organizations by providing a direct grant, the city will not be able to verify the legitimacy of expenses under federal guidelines, but the liability stays with the City.

Against the wishes of the committee, the Council took \$1 million that was recommended for reallocation to the medical category and put it into the business/non-profit category. The medical community, that has documented millions of dollars in losses, has had the amount available to them reduced by \$1 million. If this resolution were to remain in effect, most of that money would go to Explore Fairbanks. As stated before, those funds would be for expenses through an extended period, longer than what others were allowed, and we would not be able to verify those expenses to ensure compliance with federal guidelines.

Although the Council amended the original resolution to reduce the amount below the threshold for a Federal Single Audit, the liability remains with the City. The Committee had developed a program to provide financial assistance that allowed the City to assume all responsibility and control of the expenses. This resolution provides a direct grant whereby control of expenses is in the hands of the grantee. If the Explore Fairbanks receives additional Federal funds, such as from the Borough CARES program, it would be responsible for a Federal Single Audit, since the total of funds will exceed \$750,000; this will impact the City if issues are identified in this audit.

While I cannot support this resolution, I do support Explore Fairbanks and am thankful for all their efforts to promote tourism in Fairbanks. As I and my staff have stated before, we want them to receive more funding in phase II and will work with them to ensure this happens. But singling them out for special treatment at the expense of other deserving businesses and non-profits is the wrong way to proceed.

Introduced by: Council Members Therrien, Rogers, and Kun
Finance Committee Review: August 18, 2020
Introduced: August 24, 2020

RESOLUTION NO. 4932, AS AMENDED

A RESOLUTION IN SUPPORT OF THE DISTRIBUTION OF CARES ACT FUNDING DIRECTLY TO EXPLORE FAIRBANKS FOR A COVID-19 RECOVERY PLAN THAT IS REMARKETING THE DESTINATION

WHEREAS, according to the United States Travel Association, while the overall economy is in a recession, the travel industry is in a depression — at 51%, travel industry unemployment is double the worst year of the Great Depression (25% in 1933); and

WHEREAS, the Alaska Department of Labor and Workforce Development stated: “Every major industry was down from last June. Leisure and hospitality lost the most, numerically and in percent terms, dropping 32.4 percent from June 2019 (-13,800)”; and

WHEREAS, the Coronavirus Relief Fund Guidance for State, Territorial, Local and Tribal Governments funding allows payments to remarket the recipient’s convention facilities and tourism industry if the costs of such remarketing expenses incurred publicize the resumption of activities and steps taken to ensure a safe experience needed due to the public health emergency; and

WHEREAS, Explore Fairbanks serves an economic driver in the Fairbanks region by marketing to potential visitors and optimizing the visitor experience; and

WHEREAS, the CARES Act funding is designed to assist small businesses with the cost impact of business interruption and Explore Fairbanks works on the behalf of businesses with 83% having 26 employees or less and 56% having five or fewer employees; and

WHEREAS, Explore Fairbanks has launched a multiprong marketing campaign targeted to the traveling public that informs them on how to travel responsibly in our community within this pandemic environment, informs about the steps that local tourism businesses have taken to address a guest’s safety, provides access to the state mandates for travelers, and invites them to our community when they’re ready to travel; and

WHEREAS, the City of Fairbanks has a 41-year funding history that supports Explore Fairbanks as the marketing arm of the City.

NOW, THEREFORE, BE IT RESOLVED, by the Fairbanks City Council that the City of Fairbanks will distribute up to ~~\$860,000~~ **\$749,000** of its CARES Act funding directly to Explore Fairbanks for expenses incurred through November 30, 2020 to remarket the destination of Fairbanks.

PASSED and APPROVED this 24th Day of August 2020.

Jim Matherly, City Mayor

AYES: Rogers, Therrien, Pruhs, Kun
NAYS: Gibson, Cleworth
ABSENT: None
APPROVED: August 24, 2020

Mayor's VETO filed on Wednesday, August 26, 2020.

ATTEST:

APPROVED AS TO FORM:

D. Danyielle Snider, MMC, City Clerk

Paul J. Ewers, City Attorney