




City and Borough of Sitka

100 Lincoln Street • Sitka, Alaska 99835

MEMORANDUM

To: Mayor Paxton and Assembly Members

From: John Leach, Municipal Administrator 

Date: July 22, 2020

Subject: CARES Act Funding – Small Business and Nonprofit Relief and Recovery Grant Application and FAQs

Background

It was proposed at the May 19th Assembly work session that a Working Group (WG) be established to design a framework for CARES Act funds. The framework would be presented to the Assembly for modification and approval as appropriate and would include criteria for local applicants to qualify for CARES grants.

Analysis

The formally chartered CARES Act WG developed a budget outline which addresses six (6) specific funding categories. The below outlined CARES funding design was approved by a 4-1 vote at the July 7, 2020 Special Assembly Meeting. The categories are as follows:

Category 1: Utility/Moorage Assistance

Category 2: Business and Non-profit Grants

Category 3: New City Funded Programs

Category 4: City Impact/Mitigation Spending

Category 5: Sitka School District Request

Category 6: Contingency

A draft application for Category 2 was developed after many iterations, and a “beta test” of the application was performed with a handful of local businesses and nonprofits. An FAQ was also developed and is attached.

As nuances are exposed, it's important to note that the application may change slightly throughout the application period to address unexpected and unique scenarios. The FAQ will be updated regularly to address many of the questions as they arise throughout the application period.

Fiscal Note

Sitka is scheduled to receive \$14,057,653.37 in CARES Act funding. This funding is Federal support to be passed through the State of Alaska.

The CARES Act provides that funding may only be used to cover costs that -

- (1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
- (2) are not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act); and
- (3) were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

Enclosure 1 provides slightly more detail for each category and the WG understands that more details are necessary before some of the programs can commence. However, a budget ordinance is required to operate any of the programs, collect applications, or otherwise obligate funds.

The budgets approved at the July 7, 2020 Special Meeting are as follows:

Category 1: Utility/Moorage Assistance - \$4.5M (program active)

- Program approved at June 9th regular Assembly meeting and applications are active

Category 2: Business and Non-profit Grants - \$5M (application attached)

- \$2,500 grant for businesses/nonprofits with 2019 revenues under \$100,000
- \$5,000 for businesses/nonprofits with 2019 revenues of over \$100,000 but less than \$250,000
- \$7,500 for businesses/nonprofits with 2019 revenues of over \$250,000 but less than \$500,000
- \$10,000 for businesses/nonprofits with 2019 revenues of over \$500,000
- The gross revenue for my business or nonprofit does not appropriately capture the scope of the services my business or nonprofit provides to the community and I would like the Assembly to consider, in public session, awarding at a higher level.

Category 3: New City Funded Programs - \$2.5M

- **Childcare \$500,000** (possible per child subsidy, additional funding to increase capacity)
- **Food security \$200,000** (partnering with STA, SCS, USDA grants, ensuring local meal and pantry programs covered as well)
- **Support for behavioral/mental health \$300,000** (Possible organizational voucher/subsidy per uninsured client served)
- **Housing support \$750,000** (Crisis/emergency, Re-housing, transitional)
- **Transitional Employment Program \$750,000** (Unemployed/under-employed hired to work on projects in Sitka)

Category 4: City Impact/Mitigation Spending - \$1M (needs list attached)

- **Mitigation/preparation**
 - IT
 - Protection of employees and public
 - Ensure continued services in event of shutdown
 - CARES spending consultation
- Cover significant portion of cost of **public safety**

Category 5: Sitka School District Request - \$430K

- Americorps volunteers and laptop purchases.

Category 6: Contingency - \$627,653 plus any interest earned on funds held

- To be available if a known or unknown urgent COVID need arises. If not spent, could either go towards another round of utility subsidy or to CBS public safety costs.

Recommendations

I recommend the Assembly approve by motion the CARES Act Small Business and Nonprofit Relief and Recovery grant application and accompanying FAQ.

Encl: (1) Small Business and Nonprofit Recovery and Relief Grant Application
(2) Small Business and Nonprofit Recovery and Relief Grant FAQ

Section 1 – Applicant Information

Business or nonprofit name: _____

Contact Name: _____

Contact mailing address: _____

City, State, Zip code: City: _____ State: _____ Zip: _____

Contact phone number: _____

Contact email address: _____

Physical address of business: _____

*(business must be located within
the City and Borough of Sitka)*

City: _____ State: _____ Zip: _____

IRS Tax Identification Number: _____

*(or proprietor's Social Security Number
TIN/SSN will be kept confidential)*

Local Sales Tax Number: _____

Section 2 – Grant Request Information

Did your business or nonprofit experience economic hardship due to the COVID-19 public health emergency?

Impacts may include, but are not limited to, loss of sales/revenue due to mandatory shutdown measures, inventory loss, additional operating expenses of reopening and protecting staff and customers, including funds already spent for those purposes.

Yes

No

Based on your **2018 or 2019 gross revenue** as reported to the IRS (see FAQ for guidance on reported revenue), what is the grant amount is your business eligible for (check only one)?

Gross revenues for the business (2018 or 2019) were:

under \$100,000 (\$2,500 grant)

over \$100,000 but less than \$250,000 (\$5,000 grant)

over \$250,000 but less than \$500,000 (\$7,500 grant)

over \$500,000 (\$10,000 grant)

The gross revenue for my organization does not appropriately capture the scope of the services my business or nonprofit provides to the community and I would like the Assembly to consider, in public session, awarding at one of the levels reserved for organizations with higher revenue.

Please indicate below the level of support you would like the assembly to consider for your organization

(under this program no awards over \$10,000 will be considered):

\$5,000

\$7,500

\$10,000

Please indicate in the space below, 2019 gross revenues and describe circumstances for special consideration (feel free to attach a separate document).

City and Borough of Sitka, Alaska
2020 CARES Act Business Relief and Recovery Grant Application

For those nonprofits that do not file with the IRS, the City and Borough of Sitka (CBS) will accept revenue as reported on an audited financial statement or an unaudited statement by a third-party preparer.

I have provided a copy of my business' 2018 or 2019 tax return (or financial statements as described above, if applicable). All financial information will be kept confidential and will be immediately destroyed upon review of the application. Non-pertinent information may be redacted.

Nonprofit organizations only:

1. Did your nonprofit provide direct services to residents of the City of and Borough of Sitka in 2019? Yes No
2. Our nonprofit has a permanent presence in the City and Borough of Sitka. We have at least one employee who works in Sitka or more than 50% of our board members live in Sitka. Yes No

Check which type of IRS certification your nonprofit holds:

- 501(c)(3) Charitable organization
- 501(c)(4) Social welfare
- 501(c)(5) Labor, agricultural or horticultural organization
- 501(c)(6) Trade or professional organization
- 501(c)(19) or (23) Veterans organization
- 501(e) Cooperative hospital service organization
- 501(k) Childcare organization
- Other (please specify):

(Faith-based nonprofits are eligible, so long as they provide services that are promoted and available to the general public without regard to religious affiliation. Nonprofit organizations "that are principally engaged in teaching, instructing, counseling, or indoctrinating religion or religious beliefs, whether in a religious or secular setting, or primarily engaged in political or lobbying activities" are not eligible - as per 13 CFR § 120.110(k) in the Code of Federal Regulations.)

Briefly describe how the nonprofit's services have been impacted (optional—for informational purposes only to gauge community need and program effectiveness):

For-profit businesses only:

1. My business is a C Corporation, REIT or Publicly Held Limited Partnership traded on a U.S. stock exchange or a corporate-equivalent entity traded on a foreign stock exchange and owned in whole or majority-owned by such a publicly traded corporation. Yes No
2. My business is a national chain that owns and operates a premise in the City and Borough of Sitka (individually owned-and-operated local franchises are eligible). Yes No
3. My business is currently in bankruptcy proceedings. Yes No
4. My business is a marijuana business licensed under Alaska Statute 17.38. Yes No
5. My business **does not** have a permanent physical presence in the City and Borough of Sitka for the sale of goods or provision of services, with at least one worker assigned to that facility. (Mark NO if your business has a permanent physical presence with at least one employee) Yes No

(If you answered yes to any of the above questions, your business is not eligible for a grant)

City and Borough of Sitka, Alaska
2020 CARES Act Business Relief and Recovery Grant Application

For all Applicants

Do you intend to remain in business into 2021?

Yes

No

The application period opens on August 1, 2020 and applications must be received by August 31, 2020, and may be submitted by email to: grantsadmin@cityofsitka.org or hand-delivered or mailed to City and Borough of Sitka, 100 Lincoln Street, Sitka, Alaska 99835. Applications may be amended before the deadline. Incomplete applications will be rejected. Applicants will be notified of the status of their application via email to the contact person listed on the application. Questions about the grant program, application process, or application status must be directed to **First Last at (907) 747-18XX, or email grantsadmin@cityofsitka.org**. **If the demand for grants exceeds the City's available funds, the City reserves the right to adjust the grant amounts to stay within available funding.** The City reserves the right to amend any criteria or procedures as may be required if new State or Federal guidelines are issued. It is the sole responsibility of the applicant to determine or to seek independent advice as to the tax implications of receiving the grant funds. The City and Borough of Sitka reserves the right to refuse any application it deems as not meeting the specified requirements.

As an official signer for the application, I certify that the information provided in this application is true and accurate and acknowledge that the funds will be spent by the required deadline of December 30, 2020. I agree to assist in the verification of information provided in this application and to provide additional information to the City, if requested.

Signed _____

Date: _____

Print Name: _____

Title: _____

Small Business and Nonprofit Relief and Recovery Grants Frequently Asked Questions

Information for business and nonprofit applicants:

How can I apply?

Applications are available online and may be completed online at www.cityofsitka.com or submitted by email to: grantsadmin@cityofsitka.org or hand-delivered or mailed to City of Sitka Hall at 100 Lincoln St., Sitka, AK 99835, Attn: Grant Admin.

Are these loans or grants?

They are grants.

Are there fees associated with these grants?

No, there are no fees charged to the applicant.

Who can apply?

Businesses in Sitka and nonprofits that provide services to Sitka residents.

Do I have to provide financial records to prove my economic loss from the public health emergency?

You are not required to document your economic loss. You must, however, submit a 2019 or 2018 Federal tax return for your business or non-profit.

What expenses can the grant money cover?

The primary purpose of this program is to assist with costs relating to the business interruption caused by the COVID-19 pandemic and related closures. This includes loss of income due to mandatory shutdowns; inventory loss; additional operating expenses of reopening or resuming services to the public; costs of protecting staff, customers or clients; or other economic impacts due to the public health emergency. The grant funds may be used for future expenses or to cover for funds already spent.

Are grants taxable for purposes of Federal, State or local income tax?

The CBS will not provide tax advice; applicants must consult their own tax advisor for taxability determinations.

What is the timeline for the grants program?

Applications must be received by 5 p.m. Monday, August 31st.

Will the CBS mail out checks or send the funds electronically to bank accounts?

The CBS will mail out checks.

What if the CBS receives more applications than it has funds to distribute?

If the demand for grants exceeds the CBS's available funds, the CBS reserves the right to adjust the grants in order to stay within available funding.

[Will the names of grant recipients be public record?](#)

Yes, the names and amounts of the grants are public record. All tax returns and other supporting documents are not public records and will be kept confidential by the CBS.

[Will receipt of this grant make me ineligible for other grant programs?](#)

If you are going to apply for other federal or state grant or loan programs, the City advises applicants to check the eligibility rules for those programs and consult their tax advisors. The program is open to all qualifying businesses/nonprofits, regardless of whether they have applied for or have obtained any other state or federal COVID-19-related assistance.

[Is there a deadline for a grant recipient to spend the money?](#)

Yes, the grant funds received must be fully expended by Dec. 30, 2020.

Information for business applicants:

[Do I have to keep receipts for my spending?](#)

No, the CBS is not asking for proof of the spending after the fact.

[Since business applicants' 2018 or 2019 revenue will be used to determine the amount of grant funds they might be eligible to receive, what if a business has not filed its 2019 tax return yet, but, had very different revenue in 2019 than 2018?](#)

The City and Borough of Sitka will consider unusual circumstances such as significant differences in revenue from year to year. If a business does not feel that the revenue reported on the tax return submitted with the tax return is accurate, it may request that the CBS consider its special circumstances. The CBS retains the right, however, to reject any requests for consideration of special circumstances and award grants solely on the basis of supporting tax returns submitted with the application.

[Does the business owner\(s\) have to be a resident of the City of Sitka?](#)

No, but the business must have significant permanent business operations physically conducted within the boundaries of the City and Borough Sitka.

[Does commercial or charter fishing by itself constitute significant business operations physically conducted within the boundaries of the City and Borough Sitka?](#)

No. For a commercial or charter fishing business to qualify for a grant, it must have an additional nexus to Sitka other than just fishing within Municipal boundaries. The nexus must be either permanent moorage of the fishing/charter vessel in the City and Borough of Sitka Harbor System, or, residency of the vessel permit or license holder in Sitka.

[Does a self-employed deckhand on a commercial fishing vessel or charter fishing vessel qualify for a grant?](#)

Yes, provided that the deck hand is a resident of the City and Borough of Sitka and spends at least 180 days in the last twelve months year within the City and Borough of Sitka and has experiences economic hardship due to COVID-19.

If I am a self-employed business owner or trades person whose business does not have a permanent physical presence in Sitka, but, I engage in business activities or services within the City and Borough of Sitka part of the year, am I eligible?

Yes, provided that you physically performed services on at least 180 days in the past 12 months in Sitka.

What are examples of a self-employed business owners or trades persons that would, and would not, be eligible for grants?

Example of eligible business – A refrigeration repair technician permanently residing in Wrangell who physically performed repair services, on the ground in Sitka, for at least 180 days in the past 12 months.

Example of ineligible business – A sole proprietor living in Juneau who rents a table and makes sales at the annual Christmas Bazaar.

Can a business that is behind in its sales taxes qualify for the City grant?

Yes, so long as the business is current in its filing of sales tax returns and is not under a tax lien issued by the CBS. Businesses that have entered into a sales tax repayment plan or promissory note with the CBS and are adhering to that plan or are not in default of the terms of the promissory note would be eligible for a grant.

What if my business shares physical quarters with other businesses? Can each business apply and qualify for its own grant?

Yes, so long as each (1) business has its own Alaska state business license, (2) files its own sales tax returns under its own name, (3) is not a subsidiary or DBA entity of a larger organization filing a single Federal tax return, or, (4) do not have their business income reported on separate Schedule Cs on the same Form 1040, by single or joint filers.

Information for nonprofit applicants:

Since a nonprofit's total revenue in 2018 or 2019 will be used to determine the amount of grant award it might be eligible to receive, what if a nonprofit does not have a current IRS Form 990 it can provide to the City?

In lieu of the federal report, a nonprofit may be required to submit an audited financial statement or an unaudited statement prepared by a third-party professional accountant that shows total revenue for 2019.

What if my nonprofit organization's office is outside the City of Sitka?

A nonprofit could be eligible for the grants as long as it provided services to City of Sitka residents for all of 2019, even if its main office is outside the CBS.

Does a nonprofit have to report how it used the grant money?

Nonprofits will be asked to provide a brief report to the CBS no later than one year after receipt of the grant funds. This is voluntary and is requested to assist the CBS in evaluating the impact of the program.

Can a nonprofit that operates a business receive two CBS grants under this program? One as a for-profit entity and one as a nonprofit entity?

No, a nonprofit would have to decide for which entity it wanted to apply.

What is, and is not, revenue for application purposes

What is revenue?

Revenue is the operating income generated from normal business operations and includes discounts and deductions for returned merchandise. It is the top line, or gross income figure, on a profit or loss statement from which costs are subtracted to determine net income.

What does revenue include?

Revenue includes sales to customers; rentals and leases of real property and equipment to customers; shipping or delivery amounts charged or billed to customers; credit card convenience fees charged to customers; grants from programs not related to the COVID-19 pandemic; and (for not-for-profit entities only) donations.

What does revenue not include?

Revenue does not include customer or tenant deposits; loan or mortgage proceeds; prepayments of subscriptions or services yet to be provided; sales taxes collected on sales to customers which must be remitted to the City and Borough of Sitka or other taxing jurisdictions; interest or dividend income; proceeds from the sale of used equipment; insurance claim settlements; tax refunds; refunds from overpayments to trade vendors; grants from the Federal Government for programs related to the COVID-19 pandemic; partnership, estate, or trust distributions reported on a Form K-1; and any receipts of money not in the normal course of day-to-day business.

Is revenue the same thing as receipts of cash or deposits to a bank account?

No. Revenue is income from business activity regardless of when cash is collected and deposited.

What is an example of revenue which does not involve the immediate receipt of cash and a bank deposit?

Sales to customers on credit is revenue. Sales to customers who use credit cards, but which has yet to be deposited into a bank account, is revenue.

What are examples of situations where the receipt of cash and a bank deposit which is not revenue?

Examples are customer or tenant deposits; loan or mortgage proceeds; prepayments of subscriptions or services yet to be provided; sales taxes collected on sales to customers which must be remitted to the City and Borough of Sitka or other taxing jurisdictions; proceeds from the sale of used equipment; insurance claim settlements; tax refunds; refunds from overpayments to trade vendors; grants from the Federal Government for programs related to the COVID-19 pandemic; partnership, estate, or trust distributions reported on a Form K-1; and any receipts of money not in the normal course of day-to-day business.

My partner and I file a joint Federal tax return and have several sole proprietorship businesses which we report on separate Schedule Cs. Can we apply for a business grant for each separate business?

No. If you file a form 1040, you are eligible for one (1) business grant only.

Where can I find my business's or organization's revenue on our Federal tax return?

C Corporation:

Form 1120, Line 1C

Subchapter S-Corporation:
Form 1120S, Line 1C

Limited Liability Company:
Form 1065, Line 1C

Partnership:
Form 1065, Line 1C

Limited Liability Partnership:
Form 1065, Line 1C

Sole Proprietorship:
Form 1040, Schedule C, Line 3

Not-For-Profit Entity:
Form 990, Line 12