



Date: September 12, 2023

**Options for use of ARPA funding – City of Bristol, CT**

Subrecipient: Movia Robotics Inc.

Award: \$500,000

**Subrecipient developments to date:**

Movia Robotics, Inc. was selected in the first round of subrecipient funding by the City of Bristol to receive **\$500,000.00 in ARPA funding** (passed through the City), to assist the for-profit small business in recovery from adverse financial impacts caused by the COVID-19 pandemic. This was determined as an allowable and eligible ARPA expense under **Expenditure Category 2.29** (Assistance to Small Businesses: Loans or Grants to Mitigate Financial Hardship) and per provisions set forth in the ARPA Final Rule pages 145-152). The City executed a subrecipient agreement with Movia Robotics, Inc. on October 25, 2022. Approved budget reflected purchase of \$112,000 in laptops, tablets and robots to be build kits to be used in Robot-Assisted Instruction (RAI) systems for future customers. The balance of the award \$388,000 would cover the payroll (salary & benefit) costs to return employees who had been temporarily laid-off during office closure because of COVID-19; and add several new employee positions. ARPA funds would cover the cost of eight (8) necessary positions to help return the business back to pre-pandemic operations.

Movia Robotics, Inc. received their first Advance of award funds (\$150,800.00) on December 7, 2022 with these funds used to purchase \$112,000 in equipment & supplies and the balance to cover approved employee position payroll. The second Advance of award funds (\$131,513.60) was issued to them on January 10, 2023, utilized to cover approved employee position payroll through March 31, 2023. This left a **balance to spend of \$217,686.40** in the award. Movia Robotics, Inc. has submitted proof of expenditures to reconcile both advances, which have been reviewed and appear to UHY to be complete and eligible under ARPA and the executed Subrecipient Agreement.

Shortly after receiving their second Advance of funds, the Movia Robotics, Inc. chief executive contacted the City, and UHY, to provide notice that the business would be **filing for bankruptcy**. On January 29, 2023 the Bristol ARPA Task Force voted to suspend any further disbursements of the award balance to Movia Robotics, Inc. until the legal outcome of the bankruptcy filing was resolved. On September 11, 2023 the Business Committee of the Task Force met with employees and legal representatives of Movia, where it was communicated that the **bankruptcy had been approved by the Court, and Movia Robotics, Inc. was in the process of liquidating assets in order to pay all creditors**; and the business to be closed. Representatives then informed the Committee that a new business had been formed – **Movia, Inc.** – under which all employees would transfer to the new company for employment, the new business would pursue new investors and provide similar, and new, robotic services for future customers. This information was then shared with members of the ARPA Task Force that same day, who requested that UHY provide them options – per ARPA Final Rule – for the **allowable and eligible use of the remaining \$217,696.40 in award funding**.

**Important note:** It was stated in the Sept. 11 2023 meeting that Movia Robotics, Inc. has started the process to sell assets. The City will need to verify that no portion of the supplies (robotics) purchased with the \$112,000 in ARPA funds earlier this year are part of that liquidation (sale). Sale of any items purchased with federal funding would be reported as Program Income under ARPA.

**OPTION 1: Terminate Award Agreement with Movia Robotics, Inc. (\$217,686.40 returned to City)**

As the entity (small business) designated by the City to receive \$500,00.00 is no longer operating. The Agreement may be terminated by the City on that basis. The balance of the award will return to the City. ARPA funds spent between June 1, 2021 and March 31, 2023 (contained in advance payments = \$282,313.60) **will not be recouped by the City**, as at the time of expenditure, Movia Robotics, Inc. was open and returning back to pre-pandemic level of service as set forth in their application and approved Agreement. These were allowable and eligible ARPA expenses during this time period. Unfortunately, due to the permanent closing of the business, further expenditure of ARPA funds would not be allowable.

The City, through letter from the Mayor, would issue a termination notice letter to the chief executive of Movia Robotics, Inc., noting the reason for termination and their responsibility to maintain all documentation and advise the City whom to contact in order to access documentation of the \$282,313.60 expended for federal auditing purposes during the next five (5) years as required under the ARPA Final Rule.

The balance of the award - \$217,686.40 – which will not be disbursed to Movia Robotics, Inc. – will remain with the City of Bristol and assigned to its ARPA Contingency fund.

**OPTION 2: City assigns balance of award (\$217,686.40) to new business: Movia, Inc.**

This option presents several considerations for the ARPA Task Force, which would require clear and extensive documentation to support selection of this option.

- **Awarding funds to a new business would set a precedent.** Movia, Inc. did not submit an application for funding – as the application period for any small business or non-profit to receive City ARPA funds closed in January 2022. Other businesses in the community who previously applied – or need funding now – may perceive this as opportunity to come to the City and request funds without going through a competitive application process. If the Task Force selects this option, they will need to **document the rationale of awarding these funds to a new small business , exempting them from the competitive application process that all other small businesses had to previously meet.**

- **Movia, Inc. was not in operation prior to the COVID-19 pandemic (March 2020).** As noted throughout the ARPA Final Rule, funds are intended to assist individuals, households, businesses, and local governments “recover from the adverse health and/or financial impacts caused by the COVID-19 pandemic”. Movia, Inc. was not in operation before or during the COVID-19 period of declared national emergency (which ended April 10, 2023). The only provision in the ARPA Final Rule which could be considered to provide funding to Movia, Inc., would be as a designated “small business start-up”.

As noted on page 150 of the Final Rule: “the recipient (City of Bristol) could identify and respond to a negative economic impact of COVID-19 on **new small business startups** or microbusinesses; for example, **if** small business startups or microbusinesses in a locality faced greater difficulty accessing credit than prior to the pandemic **or** faced increased costs to starting the business due to the pandemic or if particular small businesses **or** microbusinesses had lost expected startup capital due to the pandemic.” Movia, Inc. would need to demonstrate to the City (and ARPA Task Force) meeting one of these requirements, which would include documentation showing they have experienced increased costs to start-up the new business (example: cost in 2021 or 2022, versus costs in 2023 as higher) or they lost startup capital because of the pandemic (example: copies of applications for credit, loans & denials received).

Should they provide written explanation and documentation to evidence their inability to receive credit or loans; or lost start-up capital lost due to the pandemic, the City and Task Force could consider awarding Movia, Inc. funding for that purpose.

- ***Movia, Inc. would need to provide all ARPA compliance documentation as required of subrecipients.*** Should the ARPA Task Force decide to award the remaining funds to Movia, Inc.; UHY would recommend they extensively document their rationale for not subjecting Movia, Inc. to complete an application for funding and subjected to the competitive award process.

In turn, Movia, Inc. would need to provide a clear description of the use of the funding, including a line-time budget, to be approved by the City. ***The description must clearly describe how the business will contribute to the economic recovery of the City of Bristol from the COVID-19 pandemic and make transformative change for the future.*** UHY would recommend ARPA funds be restricted for use of usual and customary for-profit small business start-up expenses, such as payroll, space rental & utilities, insurances, office supplies and communication services (telephone, internet).

A Subrecipient Agreement would be executed, including obligation of the award funds by December 31, 2024. Movia, Inc. would need to complete a Risk Assessment with UHY, submit the FEIN # for Movia, Inc. (W9 form), an active UEI#, to the City, the business Conflict of Interest policy, business liability, workmen's compensation, and accident insurance and fidelity bond coverage of award and project activities, copy of a 3-5 year new business plan and operational budget for 2023 – 2024.

- ***Additional documentation to be provided to the City***

Should this option be selected by the ARPA Task Force, the City will need to receive all public information regarding the bankruptcy and dissolution of Movia Robotics, Inc. Accordingly, all documentation related to the formation of the new small business – Movia, Inc. – and description of any prior relationship to Movia Robotics, Inc.

This also includes copy of the business articles of Incorporation, listing of board of directors, copy of filing with Connecticut Secretary of State (or Revenue) as Movia, Inc. is registered to do business in the state (letter of Good Standing) and any other related documents that would clearly demonstrate to the public how this specific award of funds to the new business will support the continued recovery of the City of Bristol from the COVID pandemic.

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