



City of Arts & Innovation

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL      DATE: FEBRUARY 7, 2023**

**FROM: CITY MANAGER'S OFFICE      WARDS: ALL**

**SUBJECT: APPROVAL OF THE AMERICAN RESCUE PLAN ACT EXPENDITURE PLAN FOR THE SECOND ALLOCATION OF GRANT FUNDS IN THE AMOUNT OF \$36,767,594**

**ISSUE:**

Approval of the American Rescue Plan Act Expenditure Plan for the second allocation of grant funds in the amount of \$36,767,594.

**RECOMMENDATIONS:**

That the City Council:

1. Review and approve the proposed American Rescue Plan Act Expenditure Plan for the second allocation of grant funds in the amount of \$36,767,594;
2. Review and approve the reallocation of funds from the First Allocation Expenditure Plan Project 1-26 Broadband Grants to the Parks Maintenance Project in the amount of \$1,600,000;
3. Upon Expenditure Plan approval, authorize the Chief Financial Officer, or designee, to record an increase in revenue and expenditures in the amount of \$36,767,594, to accounts to be established by the Finance Department;
4. Grant the City Manager, or designee, the flexibility to reallocate funds from the proposed Expenditure Plan to other similar and eligible uses should feasibility or timeliness concerns arise; and
5. Authorize the City Manager, or designee, to negotiate and execute all agreements, contracts and documents related to the implementation of the approved Expenditure Plan for the American Rescue Plan Act funding, including making minor non-substantive change.

**LEGISLATIVE HISTORY:**

On March 11, 2021, President Biden signed into law the American Rescue Plan Act to facilitate the recovery from the devastating economic and health effects of the COVID-19 pandemic. The American Rescue Plan Act established the Coronavirus State Fiscal Recovery Fund and

Coronavirus Local Fiscal Recovery Fund, which provides a combined \$350 billion in assistance to eligible state, local, territorial, and Tribal governments to assist in the economic and health recovery by providing resources to address impacts resulting from the crisis.

## **BACKGROUND:**

The American Rescue Plan Act (ARPA) established the Coronavirus Local Fiscal Recovery Fund to provide resources to support communities that are struggling with the impacts resulting from the COVID-19 pandemic. The US Department of the Treasury (Treasury) first released the Interim Final Rule providing eligibility guidance as well as regularly updated Frequently Asked Questions (FAQ). The Interim Final Rule provided initial guidance and served to help communities develop proposals for funding. On November 9, 2021, the City Council approved the ARPA funding Expenditure Category Plan for the first allocation in the amount of \$36,767,594 following the Interim Final Rule guidelines. Additionally, City Council directed staff to return with an itemized list for Parks infrastructure needs during the second allocation of funding for consideration. The Final Rule was issued on January 6, 2022 and became effective on April 1, 2022.

On August 31, 2021, the City submitted the required one-time Interim Report and the first annual Recovery Plan Performance Report. The one-time Interim Report identified expenditures by Expenditure Category from the date of the award to July 31, 2021. Outside of the Interim Report, the City is required to submit quarterly Project and Expenditure Reports and annual Recovery Plan Performance Reports. To date, the City has submitted all required reports by the established deadlines.

On November 15, 2022, a preliminary draft of the second round of ARPA funding was presented to City Council. The Mayor and City Council received and provided input to staff on the potential to reallocate additional funding to Parks and the Affordable Housing Fund.

## **DISCUSSION:**

The American Rescue Plan Act established the Coronavirus State and Local Fiscal Recovery Funds (Fiscal Recovery Funds) to aid eligible state, local, territorial, and Tribal governments. These funds may be used to respond to pandemic response needs including mitigation and prevention, support to communities and populations most impacted by the COVID-19 pandemic, and fill revenue shortfalls. The City may use funds to best support the needs of the community as long as the use of the funds aligns with one of following four statutory categories:

1. To respond to the COVID-19 public health emergency or its negative economic impacts;
2. To respond to workers performing essential work during COVID-19 public health emergency by providing premium pay to eligible workers of the recipient that are performing such essential work, or by providing grants to eligible employer that have eligible workers who perform essential work;
3. For the provision of government services, to the extent of the reduction in the revenue of such recipient due to COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency; or

4. To make necessary investments in water, sewer, or broadband infrastructure.

State, local, territorial, and Tribal governments that are facing budget shortfalls may use Fiscal Recovery Funds to avoid reduction of government services. Treasury’s Interim Final Rule established a methodology to calculate lost revenue. This calculation considers revenue expected in the absence of the crisis compared to actual revenue.

The City of Riverside received Fiscal Recovery Funds in two installments for a total amount of \$73,535,189. The city received the first allocation for \$36,767,594 in June 2021 and the second allocation for \$36,767,594 in June 2022.

Proposed Expenditure Plan

The proposed Second Expenditure Plan (Attachment 1) considers the second allocation of funding only. The table below is a consolidation of the proposed funding breakdown by Expenditure by Category. The Expenditure Categories are those that must be used per Treasury’s guidance. The term “Expenditure Category” refers to the detailed level and “Category” refers to all expenditures within that Category.

<b>Category Recommendations</b>	
1: Public Health	\$690,000
2: Negative Economic Impacts	\$4,000,000
6: Revenue Replacement	\$19,688,797
Citywide Revenue Loss	\$12,188,797
7: Administrative	\$200,000
<b>TOTAL</b>	<b>\$36,767,594</b>

The proposed Second Expenditure Plan includes projects listed by Expenditure Category recommendation. The approved Riverside Road to Recovery, the Envision Riverside 2025 Strategic Plan, and guidelines from the Final Rule guide the proposed expenditures. Further, the Second Expenditure Plan by Expenditure Category recommendations are to address needs that persist in the community as well as revenue loss to ensure continued government services.

The updates made to the proposed Second Expenditure Plan are based on City Council input and additional discussions with city departments include:

- Increase in the amount for the Parks Maintenance Projects:** an increase in the amount of \$3,400,000 for park maintenance projects. The Parks, Recreation and Community Services Department (PRCSD) performed an evaluation of unfunded deferred maintenance projects for consideration (Attachment 2). The priority park projects focus on addressing safety concerns and improve public health and ADA compliance. While the majority of the proposed \$8,400,000 in ARPA funding will allow the city to invest in park infrastructure that has a high impact on community well-being such as playground renovations, a few projects, such as parking lots, HVAC and flooring may be included in various wards to equitably distribute the funding and replace critical infrastructure needed to keep the facility open and safe for public use. As private sector recreational opportunities increase in cost, it is important to continue to invest in ensuring the sustainability of public parks, open spaces, community centers and recreational amenities as affordable and accessible options for all to enjoy. Investing in the maintenance of the parks system is an

investment in the community's health and well-being.

- **Increase in the amount for the Affordable Housing Fund:** an increase in the amount of \$588,797 for the affordable housing fund for development incentives throughout the City. After input from the City Council and Mayor on staff's preliminary recommendation for the second round of ARPA allocation project funding, additional funds were allocated from the unprogrammed line item to the Affordable Housing fund to increase the total allocation to \$1,388,797.

### Reallocation of First Allocation Expenditure Plan Funds

After review of unexpended funds from the First Allocation Expenditure Plan, it was determined that funding in the amount of \$1,600,000 is no longer needed for the Broadband Grants Project (1-26) as this would duplicate efforts with the Federal Government's ACP (Affordable Connectivity Program). **The recommended reallocation of unexpended funds from the Broadband Grants Project (1-26) in the First Allocation Expenditure plan to the Parks Maintenance Project will bring the total for the Park Maintenance Project funding to \$10,000,000.**

### STRATEGIC PLAN ALIGNMENT:

The Second Expenditure Plan is interwoven throughout the entire Envision Riverside 2025 Strategic Plan and Goals.

The item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust** – Riverside is committed to providing a transparent process and gather community input to support how funds will be used. To assist with these efforts, the City has developed an ARPA webpage that includes program information, a public survey and dedicated ARPA email address.
2. **Equity** – Riverside is supportive of the ongoing evaluation of potential programs and projects that ensure a response to disproportionately impacted groups and the exacerbation of health inequities along racial, ethnic, and socioeconomic lines.
3. **Fiscal Responsibility** – this item ensures fiscal responsibility of ARPA funds by identifying a need or negative impact and identifying how the project/program addresses the identified need.
4. **Innovation** – Riverside is committed to responding to the community's changing needs and preparing for the future through developing ARPA funded projects/programs that build on collaborative partnerships.
5. **Sustainability & Resiliency** – this item ensures sustainability through ongoing evaluation of projects and programs to allow adaptation to meet the current COVID-19 public health emergency and future needs ensuring the City's capacity to persevere, adapt, and grow.

### FISCAL IMPACT:

The fiscal impact of this action is \$36,767,594. There are no matching funds required. Upon Expenditure Plan approval, the Chief Financial Officer, or designee, will record an increase in

revenue and expenditures in the amount of \$36,767,594, to accounts to be established by the Finance Department.

Prepared by: Gema Ramirez, Project Manager

Certified as to

availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/Treasurer

Approved by: Mike Futrell, City Manager

Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Proposed Second Expenditure Plan
2. Proposed Park Projects List
3. Presentation