



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: AUGUST 20, 2024

FROM: OFFICE OF THE CITY MANAGER WARDS: ALL
FINANCE DEPARTMENT

SUBJECT: SECOND UPDATE ON THE AMERICAN RESCUE PLAN ACT EXPENDITURE PLAN AND REALLOCATION OF FUNDS – SUPPLEMENTAL APPROPRIATION

ISSUE:

Receive and file an update on the American Rescue Plan Act Expenditure Plan (ARPA) and approve proposed reallocations of ARPA funding and related supplemental appropriations.

RECOMMENDATIONS:

That the City Council:

1. Receive and file an update on the ARPA Expenditure Plan;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record the reallocation of funds from various ARPA Projects of the American Rescue Plan Act Expenditure Plan to the Revenue Replacement projects in the amount of \$1,550,000 for projects 2.13 PRCS-Parks Masters Plans (\$400,000), 2.14 Senior Study (\$150,000), and 2.17 Revolving Loan (\$1,000,000);
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record the reallocation of funds from various ARPA Projects of the American Rescue Plan Act Expenditure Plan to the Citywide Revenue Loss in the amount of \$391,359;
4. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to allocate American Rescue Plan Act Expenditure Plan interest earnings in the amount of \$1,104,425 and record a supplemental appropriation and interfund transfer from the Grants and Restricted Programs Fund to the General Fund in the same amount to fund the previously approved Solid Waste SHARE Program;
5. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record an allocation of ARPA interest income in the amount of \$150,000 and to record a supplemental appropriation and interfund transfer from the Grants and Restricted Programs Fund to the General Fund in the same amount to fund a consultant to complete a Parks Commission for Accreditation of Park and Recreation Agencies (CAPRA) accreditation strategy;

6. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record the reallocation of \$1,900,000 in previously allocated ARPA interest income from ARPA Expenditure Plan Revenue Replacement to the ARPA Program Interest Account and further exclude future interest income from the City's ARPA Expenditure Plan, consistent with ARPA guidelines;
7. Reaffirm that the City Manager, or designee, has flexibility to reallocate funds from the proposed Expenditure Plan to other similar and eligible uses should feasibility or timeliness concerns arise, and to meet the statutory requirements of the ARPA Program; and
8. Authorize the City Manager, or designee, to negotiate and execute any and all agreements, contracts and documents related to the approved reallocations in the Expenditure Plan for the American Rescue Plan Act funding, including making minor non-substantive changes.

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 provided 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:

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 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.

On February 7, 2023, the City Council approved the second allocation of ARPA funding which included an additional \$5,000,000 for parks projects for total Parks funding of \$19,800,000; and \$588,797 for the Affordable Housing Fund for total Affordable Housing funding of \$1,388,797.

On October 10, 2023, the City Council received an update and approved the reallocation of ARPA funding which included \$3,000,000 to the Citywide Park Improvement Program and \$2,193,244 to the General Fund revenue replacement.

This report serves as a second update to the City Council on the status of ARPA funding.

DISCUSSION:

ARPA aids eligible state, local, territorial, and tribal governments with funding for pandemic response needs, including mitigation and prevention, support to communities and populations most impacted by the COVID-19 pandemic, and filling 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 support 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 that 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; and/or
4. To make necessary investments in water, sewer, or broadband infrastructure.

The City of Riverside received Fiscal Recovery Funds in two installments for a total amount of \$73,535,188. The City received the first allocation for \$36,767,594 in June 2021 and the second allocation for \$36,767,594 in June 2022. This City has also earned interest from the ARPA funds and has allocated \$1,900,000 interest (discussed below) to General Fund Revenue Replacement through previous City Council action for a total spending plan of \$75,435,188.

Reallocation of Expenditure Plan Funds

The current ARPA Expenditure Plan (Attachment 1) identifies funding allocated to date, as approved by the City Council, as well as a proposed reallocations of funding based on project status and reassessment of need. 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 federal guidance. The term “Expenditure Category” refers to the detailed level and “Category” refers to all expenditures within that Category.

Category	Approved Allocation	Expended/ Committed	Remaining Funds	Proposed Interest Reallocation	Net Proposed Reallocation	Revised Allocation
1. Public Health	\$ 2,108,117	\$ 853,538	\$ 1,254,579	\$ -	\$ (158,660)	\$ 1,949,457
2. Negative Economic Impacts	26,311,233	22,143,559	4,167,674	-	(280,428)	26,030,805
3. Services to Disproportionately Impacted Communities	400,000	400,000	-	-	-	400,000
5. Infrastructure	10,000	10,000	-	-	-	10,000
6. Revenue Replacement	29,352,564	13,689,026	15,663,538	(1,900,000)	67,729	29,420,293
Citywide Revenue Loss	16,933,274	16,933,274	-	-	391,359	17,324,633
7. Administrative	320,000	65,344	254,656	-	(20,000)	300,000
TOTAL	\$ 75,435,188	\$ 54,094,741	\$ 21,340,447	\$ (1,900,000)	\$ -	\$ 75,435,188

The ARPA Expenditure Plan includes projects listed by Expenditure Category recommendation. The approved ARPA guidelines from the Final Rule guides the proposed expenditures. Further,

the ARPA Expenditure Plan by Expenditure Category is intended to address needs that persist in the community as well as revenue loss to ensure continued government services.

ARPA funding must be encumbered no later than December 31, 2024, and expended by December 31, 2026. After review of unexpended funds in the ARPA Expenditure Plan, it was determined that a portion of funding from eight (8) projects totaling \$3,841,359 would be recommended for reallocation based on a review of activity to date and in process, as well as reassessment of needs. The amount recommended for reallocation to Revenue Replacement is as follows:

1. Public Health \$(158,660)

- **1.02 Mental Health Support:** This program's agreement was presented to City Council on August 6, 2024, agenda item #26 which was for the total amount of \$241,340. The remaining funds will be reallocated to citywide revenue loss. **Reallocation: \$(8,660).**
- **1.03 EOC Ventilation Upgrade & Situational Awareness:** These facilities upgrades have been substantially completed by the Fire Department Office of Emergency Services (OES). Some upgrades will be completed by the end of 2024. The project had a budgetary surplus. **Reallocation: \$(150,000).**

2. Negative Economic Impacts \$(280,428)

- **1.06 Business Security Match Program:** This program, administered by the Police Department, helped local businesses add security features to protect inventory and employees during business shut-downs caused by Covid-19. This program has been sunset as its original pandemic intent has been met. **Reallocation: \$(278,244).**
- **1.22 Childcare Support:** This project has expended almost all of its \$1.5 million ARPA allocation and is reallocating a minor excess sum as revenue replacement. **Reallocation: \$(2,184).**

6. Revenue Replacement \$(1,832,271)

- **1.27 Response Costs:** Based on a review of reimbursement requests submitted to FEMA and reimbursements received to date, staff has determined that these funds can be reallocated. **Reallocation: \$(1,482,271).**
- **2.13 PRCS-Parks Masters Plans:** This new project is proposed as a reallocation of ARPA funding. Parks' Master Plans allow the Parks, Recreation and Community Services Department to plan for future renovations and community needs at individual parks. The process is driven by community involvement, resulting in a plan for future parks. By developing master plans for individual parks, they become ready for available grant funding with preliminary community input and a prepared plan. The \$400,000 request will fund one large park master plan costing approximately \$300,000, for which the department would utilize a contractor for more complicated projects requiring CEQA compliance, and two smaller projects at \$50,000 each. Grants are a high priority citywide, and having projects grant-ready is critical for obtaining funding and assisting the department in meeting grant deadlines.

The parks master plan process provides the opportunity for the community to weigh in on what is needed at their local parks. Regular funding will allow the Parks, Recreation and Community Service Department to engage with the community on a regular basis and provide equitable opportunities for input, instead of only relying on grant funding. It will also allow for the completion of preliminary work necessary for applying for grants for the renovation and development of local parks, recreational amenities, aquatics facilities, and

other facilities. Master plans for parks benefit the community as a whole, as the Department maintains community centers, senior centers, and local parks across the city, addressing the needs of all user groups, including kids, youth, adults, and seniors as parks are available and utilized by everyone. **Reallocation: \$400,000.**

- **2.14 Senior Study:** This new project is proposed as a reallocation of ARPA funding. The senior study master plan will develop a strategic plan for enhancing programs and services for residents aged 55 and older over the next 10 years. The \$150,000 request will fund various services, including:
 - Comprehensive community needs assessment, including surveys and demographic analysis
 - Identification of physical, mental, and social services gaps in housing, transportation, health, and food security
 - Facility inventory and recommendations for new senior centers
 - Development of workforce and volunteer programs tailored to seniors, including reintegration to the workforce trainings and support due to COLA increases and inflation
 - Alignment with State and County's Master Plan for Aging

This project aims to address the public health and economic impacts of COVID-19 on seniors, a group significantly affected by the pandemic. By enhancing community services and support for older adults, the plan aligns with ARPA's goals of improving public health outcomes and promoting economic recovery. **Reallocation: \$150,000.**

- **2.16 Rental Assistance Program for Seniors:** On April 23, 2024, Council approved a reallocation of \$900,000 in ARPA Interest Earned to Revenue Replacement for the Rental Assistance Program for Seniors. However, as this project is funded through ARPA interest, it does not need to be included as an ARPA project and recorded on the expenditure plan. This project will continue separately from the expenditure plan and remain funded through ARPA interest. **Reallocation: \$(900,000).**
- **2.17 Revolving Loan:** On March 12, 2024, the Revolving Loan Fund was approved to be funded for an amount of \$2,363,766. An amount of \$1,363,766 in ARPA funds was reallocated from projects 1.10, 1.11, & 2.02; and \$1,000,000 of ARPA interest was reallocated to revenue replacement to fund the program. Staff recommends the City Council move the \$1,000,000 ARPA interest funding from the Revolving Loan Fund project back to ARPA interest earned and reallocate the \$1,000,000 in the excess funding from project 1.27-Response Costs in its place. This will allow the Revolving Loan Fund project to be fully funded via ARPA revenue replacement, ensuring the funding remains in the expenditure plan while ARPA interest, which is unrestricted, can be excluded. The net effect of these two reallocations of \$1 million is zero. **Reallocation: \$0**

6. Citywide Revenue Loss \$391,359

- **1-28 Revenue Replacement:** Increase Citywide Revenue Loss from reallocation of funds from projects 1.02, 1.06, 1.22, 1.27, and 1.32 as described in this report. The allocation of residual funds from these programs to revenue replacement will help to offset the impact of the Water General Fund Transfer (GFT) escrow and free up funds for critical needs as they arise. **Reallocation: \$391,359**

7. Administrative \$(20,000)

- **1-32 Consultant ARPA:** The City is hiring a consultant to audit the ARPA program from the beginning of allocations through close-out of the Program in early 2027. The City released a Request for Proposals for a prospective consultant, and bids came in \$20,000 less than the budgeted allocation for this project. Therefore, the remaining \$20,000 will be reallocated to the Citywide Revenue Loss. **Reallocation: \$(20,000).**

Interest

As a fiduciary of funds, the City has invested ARPA funds pending their expenditure and earned interest on those funds, which is available to be spent as a companion to ARPA funding. Interest earned on ARPA funds is not restricted by federal statute and is therefore free for the City to allocate. In total, the City has earned approximately \$2,444,832 in unrestricted interest income related to the ARPA program:

Fiscal Year (FY)	Interest Earned
FY 2021/22	\$ 363,682
FY 2022/23	1,186,990
FY 2023/24 (as of May 31, 2024)	894,160
Total Interest Earned	\$ 2,444,832

This report also recommends a reallocation of \$1,900,000 in interest income from the ARPA Expenditure Plan back to the ARPA Program Interest Account (\$900,000 from 2.16 Senior Rental Assistance and \$1,000,000 from 2.17 Revolving Fund) as previously described, with no impact on the continuation of the programs. This report also recommends the funding of a CAPRA study, as this project faces challenges meeting ARPA eligibility guidelines. As interest funds are not restricted by regulation, the City proposes to utilize a portion of these funds for the following projects:

- **Rental Assistance Program for Seniors (\$900,000):** This project was previously approved by City Council on April 23, 2024 to be funded by ARPA interest revenue.
- **Solid Waste SHARE Program (\$1,104,425):** On December 19, 2023, the City Council approved the establishment of a SHARE (Sharing Households Assist Riverside’s Energy) program to assist qualifying City of Riverside Solid Waste customers, funded by ARPA interest revenue. Staff is requesting a transfer of \$1,104,425 ARPA interest earnings to the General Fund and related supplemental appropriation to provide funding for the program, as this recommendation was not included in the December 2024 report.
- **CAPRA Consultant Study (\$150,000):** The Commission for Accreditation of Park and Recreation Agencies (CAPRA) consultant project will support the department in achieving CAPRA accreditation to enhance operational efficiency and service quality in park and recreation management. Staff is seeking approval for this project through this staff report. Staff is also requesting a transfer to the General Fund and supplemental appropriation for \$150,000 to fund the project.

Next Steps

Staff is working with various City departments to ensure timely encumbrance of funds to comply with ARPA guidelines. Staff may return to the City Council with an October update. Funds not

encumbered will be recommended for Citywide Revenue Loss in a report to the City Council in December of this year, although it is anticipated that these reallocations will be nominal. A consultant is being engaged to review the ARPA plan activity to date to ensure compliance from the current reallocations to the end of program expenditures in late 2026, and close-out activities in 2027.

STRATEGIC PLAN ALIGNMENT:

The ARPA 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 gathering 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 via a periodic review of spending activity and critical funding needs and ensuring that ARPA funding is encumbered and expended within the required timeframe.
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 these recommended actions is \$1,254,425. Upon Council approval, a supplemental appropriation and interfund transfer of \$1,254,425 will be recorded from the Grants and Restricted Programs Fund to the General Fund, with \$1,104,425 being committed for previously approved Solid Waste SHARE Program and \$150,000 recorded to the proposed CAPRA Consultant Study in General Fund accounts to be established by the Finance Department.

All ARPA funding must be encumbered no later than December 31, 2024, and expended no later than December 31, 2026. Periodic review of spending activity to date and the recommended reallocations will ensure that all ARPA funds are utilized in a fiscally responsible manner within the required timeframe, while addressing critical citywide funding needs.

Prepared by: Jeff McLaughlin, Grants Administrator

Approved by: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Certified as to

availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Approved by: Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer

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

Attachments:

1. ARPA Expenditure Plan
2. Presentation