



City of Arts & Innovation

# City Council Memorandum

**TO: HONORABLE MAYOR AND CITY COUNCIL**      **DATE: NOVEMBER 17, 2020**  
**FROM: CITY MANAGER'S OFFICE**      **WARDS: ALL**  
**SUBJECT: UPDATE ON CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT FUNDING**

## **ISSUE:**

Receive an update on the implementation of the approved Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

## **RECOMMENDATION:**

That the City Council receive an update on the implementation of the approved Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding.

## **LEGISLATIVE HISTORY:**

The City Council considered the proposed Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the State of California on July 21, 2020. Following discussion, the City Council directed the report be presented for final consideration on August 4, 2020 and that staff engage the community through a confidential online survey to solicit input on the community's most pressing needs.

The City Council approved the proposed Expenditure Plan for CARES Act funding on August 4, 2020 as presented, with the funding for the Emergency Operations Center Ops Room furniture (\$100,000) and half of the \$2,262,083 designated for computer replacement removed and reallocated equally to the line items for small business and rental assistance.

## **BACKGROUND:**

### **Coronavirus Aid, Relief, and Economic Security Act**

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law to provide emergency appropriations during the Coronavirus pandemic (COVID-19). The CARES Act represented the third package of assistance from the federal government, providing \$2.2 trillion in economic relief to individuals, families, businesses, and nonprofit organizations. Funding for governments was also included through the creation of the

Coronavirus Relief Fund, which allocated \$150 billion to various State, local and Tribal governments. The Coronavirus Relief Fund (CRF) was distributed to State, local and Tribal governments based on relative population. Local governments with a population of 500,000 or more were eligible to receive a direct allocation from the CRF. Given the population threshold, the City was not eligible to receive a direct allocation.

### Big City Mayors Advocacy and the State Budget

Throughout the COVID-19 pandemic, the Big City Mayors (BCM) have met with federal and state elected officials to advocate for much needed assistance. As part of this effort, the BCM, of which Mayor Bailey is a member, engaged the State's legislative leaders and Governor to solicit support for the creation of a dedicated funding opportunity for the seven cities (Long Beach, Oakland, Bakersfield, Anaheim, Santa Ana, Riverside, and Stockton) of the BCM coalition that did not receive a direct allocation from the CRF. This targeted advocacy effort resulted in the inclusion of a specific \$225 million set-aside for these seven cities as part of the recently approved State budget.

The State provided a portion of its CARES Act funding to local governments (\$500 million to cities and \$1.3 billion to counties) to combat the COVID-19 pandemic. As noted, the State budget provided \$225 million to cities with populations greater than 300,000 that did not receive a direct CARES Act allocation from the Federal Government, with the funds distributed according to their relative populations; Riverside received \$27,991,888. An additional \$275 million was provided to cities with populations less than 300,000, with the funds distributed according to their relative populations, with each city guaranteed a minimum of \$50,000. Cities must use the funds according to federal law. California received a total of \$15.3 billion from the CRF. Of this amount, the State received \$9.5 billion, and the eligible cities and counties with populations over 500,000 received \$5.8 billion (16 counties and five cities in total received direct allocations).

### Reports to the California Department of Finance (DOF)

To formally receive the funds from the State, the City was required to submit a certification form to the DOF affirming the City's adherence to federal guidance and the state's stay-at-home requirements and other health requirements as directed in gubernatorial Executive Order N-33-20, subsequent executive orders or statutes, and all State Department of Public Health orders, directives, and guidance issued in response to the COVID-19 public health emergency. Additionally, the City was required to submit reports detailing expenditures and to return any funds that were unspent by October 31, 2020 unless extended by the DOF.

Since approval of the Expenditure Plan, the City has submitted three reports to the DOF detailing the progress made in expending the funds. City staff submitted the most recent update on October 27, 2020 and included a contingency plan to outline what steps the City would take to ensure any unspent/unallocated funds are expended by the December 30, 2020 deadline; the DOF requested inclusion of the contingency plan. The City Team's priority is to expend the CARES Act funds consistent with the approved Expenditure Plan to the extent possible. Notwithstanding, staff would take the following steps as necessary to ensure all funds are expended:

1. Provide additional funds to the Small Business Assistance Grants and Non-profit Assistance Grants as they are oversubscribed; Food Assistance programs may also receive additional funds as there continues to be demonstrated need;
2. Acquire additional computer equipment and software in support of telecommuting operations; and/or

3. Offset payroll costs for public safety employees, consistent with the Treasury Office of the Inspector General/California Department of Finance guidance.

The United States Department of the Treasury Office of the Inspector General (OIG) recently confirmed that payroll records will be sufficient substantiation for all payroll costs for public health and public safety employees, as these payments are presumed to be entirely for services “substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” Funds used in this manner can free up general funds that can be reprioritized to address local priorities or mitigate the impacts of the public health emergency.

Since submittal of the most recent report to the DOF, the DOF has extended the City’s expenditure deadline to December 30, 2020.

### **DISCUSSION:**

The approved Expenditure Plan outlined \$27,991,888 in expenditures in three benefit categories: Housing/Homelessness, Community and Business Support, and Organizational Needs for COVID-19 Compliance.

An itemized list of expenditures for each of these categories (as of October 23,2020) is included as Attachment 3. Staff will provide a more up-to-date itemized list of expenditures by November 13, 2020.

### **FISCAL IMPACT:**

The fiscal impact of the approved Expenditure Plan for CARES Act funding totals \$27,991,888. Since approval of the Expenditure Plan, the City has received the full allocation of funding from the Department of Finance.

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Approved as to form: Kristi J. Smith, Chief Assistant City Attorney

### Attachments:

1. City Council Staff Report – August 4, 2020
2. Approved Expenditure Plan
3. CARES Act Funding Update (as of October 23, 2020)
4. CARES Act Funding Update (to be posted on Friday, November 13, 2020)