



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: NOVEMBER 15, 2022

FROM: CITY MANAGER'S OFFICE WARDS: ALL

**SUBJECT: AMERICAN RESCUE PLAN ACT UPDATE ON EXPENDITURE PLAN FOR THE
FIRST ALLOCATION OF GRANT FUNDS AND REVIEW OF PROPOSED
SECOND EXPENDITURE PLAN**

ISSUE:

Receive an update to the first allocation of grant funds related to the American Rescue Plan Act Expenditure Plan and review the Proposed Expenditure Plan for the second allocation of grant funds.

RECOMMENDATIONS:

That the City Council:

1. Receive an update on the first allocation of grant funds related to the American Rescue Plan Act Expenditure Plan in the amount of \$36,767,594; and
2. Review and provide input on the Proposed Expenditure Plan for the second allocation of grant funds in the amount of \$36,767,594.

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 of COVID-19. The US Department of the Treasury first released 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. 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 deadline.

DISCUSSION:

The American Rescue Plan Act established the Coronavirus State and Local Fiscal Recovery Funds (Fiscal Recovery Funds) to provide assistance to 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 crisis, 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.

Final Rule

The Final Rule became effective on April 1, 2022. Some key changes include:

- The final rule offers a standard allowance for revenue loss of \$10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation
- In some cases, enumerated eligible uses included in the interim final rule under responding to the public health emergency have been re-categorized in the organization of the final rule to enhance clarity
- In addition to programs and services, the final rule clarifies that recipients can use funds for capital expenditures that support an eligible COVID-19 public health or economic response
- The final rule provides an expanded set of households and communities that are presumed to be “impacted” and “disproportionately impacted” by the pandemic, thereby allowing recipients to provide responses to a broad set of households and entities without requiring additional analysis
- The final rule provides a broader set of uses available for these communities as part of COVID-19 public health and economic response in all impacted communities and making certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities
- The final rule also allows for a broader set of uses to restore and support government employment, including hiring above a recipient’s pre-pandemic baseline, providing funds to employees that experienced pay cuts or furloughs, avoiding layoffs, and providing retention incentives

Due to the consolidation of some Expenditure Categories under the Final Rule, some of the Expenditures Categories in the Expenditure Plan were updated. The attached Updated Expenditure Categories (Attachment 1) identifies these changes. The quarterly report to the US Treasury was updated to include these changes during the April 1 - June 30 reporting period for 2022.

First Expenditure Plan

Several City departments are currently working on various phases of ARPA funded projects. To date, approximately \$2,600,000 has been spent of the total first allocation. The ARPA Project Status Table (Attachment 2) illustrates project progress identified by three categories: in development, in progress, and complete. Projects that are in development refers to projects that are being established but not available to beneficiaries. These projects are in the procurement process, have agreements underway, or are developing guidelines and procedures as required by the US Treasury. The ARPA program requires that services follow the competitive procurement process. This has added more time to the implementation schedule for some projects. Additionally, some projects are entirely new to city functions and require more time to develop, staff, and implementation.

To ensure funding is spent in the most impactful way, staff is conducting ongoing evaluation of projects for reporting purposes. In addition to ongoing assessments, funding is spent to start programs in phases and allows programs to be structured for continued benefits moving forward.

Of those programs that have started, most have a significant direct impact throughout the community. Many of the programs that are available include scholarships for recreational activities, food programs for both seniors and youth administered by the Parks, Recreation and Community Services Department (PRCSD). Additionally, through grant funding provided to community non-profits many of the social services that support the community have continued. These resources often support our communities most vulnerable populations and these organizations are focused on the equitable distribution of resources.

Project Highlights – Nonprofit Support Grant

The Community & Economic Development Department, Arts & Cultural Affairs staff created and implemented the Non-Profit Grant Assistance. The program is supporting 103 non-profit organizations, public benefit and faith-based organizations with over \$1.8 million. As of September 28, 2022, 95% of the qualified organizations have received their monies and are in process of finalizing documentation and final reports. One organization that staff would like to highlight is Junior League of Riverside for their Diaper Bank. They received \$10,000. During fiscal year 2020/21, they provided over 174,000 diapers to families in need. This past June they surpassed 500,000 diapers to support families in need for Riverside and the Inland Empire.

Second Expenditure Plan

On November 9, 2021, the City Council requested that the second allocation Expenditure Plan include a proposal to fund improvements to various parks. The PRCSD performed an evaluation of unfunded deferred maintenance projects for consideration in the second allocation proposed Expenditure Plan. The attached map (Attachment 3) is a consolidation of the proposed priority projects only. The priority park projects focus on addressing safety concerns and improve public health and ADA compliance.

List of priority unfunded project needs:

1. Seventeen Playground Resurfacing Projects – Safety \$5,000,000
2. Seven Playground Equipment Replacement Projects – Safety \$4,000,000
3. Eight Parking Lot Resurfacing Projects – Safety/ADA \$1,000,000
4. Eleven HVAC Replacement Projects – Safety/Health \$2,500,000
5. Six Flooring Replacement/Refinishing Projects – Safety/ADA \$500,000

The above list of over \$13,000,000 of unfunded project needs captures the highest priority projects and maintains safe recreational services for public use in all wards. Annual funding needs to be budgeted for park facility replacement projects to address the City's deteriorating park infrastructure. While the majority of the proposed \$5,000,000 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.

The proposed Second Expenditure Plan (Attachment 4) 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 US

Department of the Treasury (Treasury). The term “Expenditure Category” refers to the detailed level and “Category” refers to all expenditures within that Category.

| Category Recommendations | |
|---------------------------------|---------------------|
| 1: Public Health | \$690,000 |
| 2: Negative Economic Impacts | \$4,000,000 |
| 6: Revenue Replacement | \$15,700,000 |
| Citywide Revenue Loss | \$15,000,000 |
| 7: Administrative | \$200,000 |
| Un-programmed remaining funds | \$1,177,594 |
| TOTAL | \$36,767,594 |

The proposed ARPA Expenditure Plan (Attachment 3) includes projects listed by Expenditure Category recommendation. The approved Riverside Road to Recovery and the Riverside 2025 Strategic Plan and guidelines from the Final Rule guides the proposed expenditures. Further, the ARPA 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.

STRATEGIC PLAN ALIGNMENT:

The ARPA Expenditure Plan is interwoven throughout the entire 2025 Envision Riverside 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. Funds

from the first allocation of \$36,767,594 have earned \$363,000 in interest. The interest earned will be appropriated to revenue loss.

Prepared by: Kris Martinez, Assistant City Manager
Certified as to
availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Michael Moore, Interim City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Updated Expenditure Categories
2. ARPA Project Status
3. Proposed Park Projects Map
4. Proposed Expenditure Plan
5. Presentation