



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: SEPTEMBER 10, 2020**

FROM: FINANCE DEPARTMENT **WARDS: ALL**

SUBJECT: PROPOSED EXPENDITURE PLAN FOR CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY (CARES) ACT FUNDING FROM THE STATE OF CALIFORNIA TOTALING \$27,991,888

ISSUE:

Receive and file a report on the proposed Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the State of California totaling \$27,991,888.

RECOMMENDATION:

That the Budget Engagement Commission receive and file a report on the proposed Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the State of California totaling \$27,991,888.

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.

Advocacy, the Big City Mayors, 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 provides \$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 will receive \$27,991,888 (Attachment 1). The additional \$275 million is 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 and are encouraged to prioritize these funds to support efforts by counties and Continuums of Care to address the impact of the COVID-19 pandemic on people experiencing homelessness. 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).

Advocacy efforts are ongoing. Given that the City was ineligible to receive a direct allocation from the CRF, the Mayor and City Council wrote to Senator Dianne Feinstein, Senator Harris and Representative Takano (Attachment 2), urging their support for the proposals under consideration that would provide a direct funding allocation for local governments as part of any future COVID-19 related economic relief package. Riverside, like every other local government across the country, expects a measurable impact on revenues which supports the delivery of critical City services, as the livelihoods of the City's residents and businesses have been disrupted. Additionally, the City will continue to work and advocate alongside the League of California Cities and National League of Cities to seek additional, flexible funding assistance from the State and Federal governments to address the ongoing impacts resulting from COVID-19.

On July 21, 2020, the City Council considered the proposed Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the State of California. 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.

City staff posted a confidential online survey to help inform further discussion on how best to allocate the CARES Act funding, soliciting input on the community's most pressing needs. The survey was posted to the City's website on Friday, July 24, 2020, and advertised through the City's various social media platforms to encourage as many responses as possible from the City's residents. The survey closed on July 29, 2020, and responses to the survey are posted to the City's website and incorporated as Attachment 6 of this staff report. City staff used the results of the survey as a basis to inform revisions to the proposed CARES Act Expenditure Plan (Attachment 7) that was presented for the City Council's consideration on August 4, 2020.

On August 4, 2020, the City Council received the results of the community survey and considered the proposed Expenditure Plan for Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding from the State of California. Following discussion, the City Council approved the revised Expenditure Plan for Coronavirus Aid, Relief, and Economic Security (CARES) Act funding with Emergency Operations Center Ops Room furniture for \$100,000 and half of the \$2,262,083 designated for computer replacement removed and reallocated equally to further business and rental assistance (Attachment 8).

DISCUSSION:

Pursuant to Control Section 11.90 of the Budget Act of 2020 (Attachment 3), cities should use the funding to support activities and expenses that promote public health and safety in response to the COVID-19 public health emergency, including, but not limited to any of the following:

1. State and local public safety, including implementation of social distancing guidelines in public facilities.
2. State and local public health, including testing and contact tracing.
3. Services for vulnerable populations, including increased caseload.
4. K-12 learning loss mitigation.
5. County public health, behavioral health, and health and human services.
6. Other items permitted pursuant to guidance provided by the United States Treasury Department, including answers to Frequently Asked Questions, as allowable expenditures that support the state's COVID-19 response (Attachment 4).

Further, Section 11.90(d)(2) notes that the funding directed to cities be used toward homelessness, public health, public safety, and other services to combat the COVID-19 pandemic.

Funds may be allocated to offset or reduce non-budgeted General Fund appropriations that were made to support the COVID-19 response between March 1, 2020, and December 30, 2020. If these funds are not spent by September 1, 2020, the Director of Finance may reallocate those funds to any item of appropriation for other allowable activities. However, since adoption of the State Budget, the California Department of Finance (DOF) has provided guidance indicating that the City would be allowed to encumber funds to meet the September 1, 2020 deadline outlined in the Budget Act of 2020, noting that performance or delivery of goods and services must occur during the covered period of March 1, 2020 and December 30, 2020. In addition, the DOF has determined that competitive bidding is not required, due in part to the need to use funds expeditiously.

The following is a non-exclusive list of examples of costs that would not be eligible expenditures of payments from the Fund.

1. Damages covered by insurance.
2. Payroll or benefits expenses for employees whose work duties are not substantially dedicated to mitigating or responding to the COVID-19 public health emergency.
3. Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.
4. Reimbursement to donors for donated items or services.
5. Workforce bonuses other than hazard pay or overtime.
6. Severance pay.
7. Legal settlement

To formally receive the funds from the State, the City was required to submit a certification form to the DOF by 11:59 P.M. on July 10, 2020. Funding is contingent on 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. The City submitted its certification form on Tuesday, July 7, 2020 (Attachment 5).

Consistent with the requirement noted above and the short time frame within which to expend and/or encumber the funding, City staff drafted the proposed Expenditure Plan for CARES Act (Plan) funding, totaling \$27,991,888 for City Council review and approval which was received and modified at the August 4, 2020 City Council meeting (Attachment 8). Staff requested the flexibility to reallocate funds from the proposed Plan to other similar and eligible uses should feasibility or timeliness concerns arise.

FISCAL IMPACT:

The fiscal impact of the revised Expenditure Plan for CARES Act funding totals \$27,991,888. Upon receipt of the funds, the Finance Department will increase revenue by such an amount in accounts established and appropriate such funds in the same amount. The Department of Finance has indicated the City will receive its allocation in installments, with the first allocation being one-sixth of the total allocation amount. Funds not expended within the timeframe will be required to be returned to the State.

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Approved as to
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer
Approved by: Al Zelinka, FAICP, City Manager

Attachments:

1. California Department of Finance: \$500 Million Coronavirus Relief Fund Allocations to Cities
2. Letter to Senator Dianne Feinstein, Senator Harris, and Representative Takano (April 20, 2020)
3. Control Section 11.90 of the Budget Act of 2020
4. United States Department of the Treasury: Coronavirus Relief Fund Guidance for State, Territorial, Local, and Tribal Governments (Updated June 30, 2020)
5. Certification for Receipt of Funds Pursuant to Paragraphs (2) or (3) of Subdivision (d) of Control Section 11.90 of the Budget Act of 2020
6. Results of Community Survey
7. Revised Expenditure Plan for CARES Act Funding
8. Approved Expenditure for CARES Act Funding