



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 5, 2021**

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

SUBJECT: CONSIDERATION OF THE AMERICAN RESCUE PLAN ACT FUNDING EXPENDITURE PLAN FOR THE FIRST ALLOCATION IN THE AMOUNT OF \$36,767,594

ISSUE:

Consider the American Rescue Plan Act (ARPA) funding Expenditure Plan for the first allocation in the amount of \$36,767,594.

RECOMMENDATION:

That the City Council review and provide input on the proposed Expenditure Plan for the American Rescue Plan Act.

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 Coronavirus Local Fiscal Recovery Fund was established through the American Rescue Plan Act (ARPA) to provide resources to support communities that are struggling with the impacts of COVID-19. Many community needs experienced during the response phase of the crisis persist and resources may be used to support a strong and equitable recovery.

The US Department of the Treasury released Interim Final Rule providing eligibility guidance as well as Frequently Asked Questions (FAQ) that are regularly updated. The Interim Final Rule provided initial guidance and has served to help communities develop proposals for funding. The Treasury received comments on the Interim Final Rule on July 16, 2021 with the Final Rule to follow.

On July 13, 2021, the ARPA funding Expenditure Category Plan for the first allocation in the amount of \$36,767,594 was presented to City Council. The City Council unanimously approved a motion to return the proposed expenditure categories to City Council for discussion to assist in the development of the Expenditure Plan for the American Rescue Plan.

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. The Secretary of Treasury issued the Interim Final Rule to implement the Fiscal Recovery Funds. 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 Fiscal Recovery Funds provide flexibility for each jurisdiction to meet local needs and also invest in building, maintaining, or upgrading their water, sewer, and broadband infrastructure. Recipients may use funding to:

1. Support public health expenditures: address broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral healthcare, and public health resources.
2. Address negative economic impacts caused by the public health emergency: delivering assistance to workers and families, supporting small businesses, expediting tourism recovery efforts to include travel and hospitality sector, and rebuilding public sector capacity.
3. Replace public sector revenue loss.
4. Serving the hardest-hit communities and families: addressing health disparities and the social determinants of health, investments in housing and neighborhoods, addressing educational disparities, and promoting healthy childhood environments.
5. Provide premium pay for essential workers.
6. Invest in water, sewer, and 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 establishes a methodology that can be used to calculate lost revenue. This calculation considers revenue expected in the absence of the crisis compared to actual revenue.

The City of Riverside will receive Fiscal Recovery Funds in two installments for a total amount of \$73,535,189. The first allocation in the amount of \$36,767,594 was received in June 2021, and the City will receive the second allocation 12 months later in June 2022 in the amount of \$36,767,594. The City was required to submit a one-time interim report with expenditures by Expenditure Category from the date of the award to July 31, 2021. Additionally, the City is required to submit quarterly Project and Expenditure Reports and annual Recovery Plan Performance Reports.

On August 31, 2021, the City submitted the required one-time Interim Report and the annual Recovery Plan Performance Report. In addition to the submittal of the reports to the Treasury,

the City established a committed webpage for ARPA where the annual Recovery Plan Performance Report is available to the public. The current Recovery Plan Performance Report will be updated upon approval of an expenditure plan for the ARPA funds.

For purposes of this staff report, the proposed ARPA Expenditure Plan (Attachment 1) with programs/projects are listed by Expenditure Category recommendation. Recommendations are based upon insights from the community input received from the CARES Act survey, lessons learned from CARES Act funded services, departments’ familiarity with services that will serve disproportionately impacted communities; guidance by the approved Riverside Road to Recovery and the Riverside 2025 Strategic Plan. Further, the ARPA Expenditure Plan by Expenditure Category recommendations are to address needs that persist in the community as well as identified needs that were not covered by CARES Act funding and are eligible uses under ARPA.

The table below is a consolidation of the proposed funding breakdown by Expenditure by Category for consideration and input for the first allocation of funding. 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	\$ 1,036,250	2.82%
2: Negative Economic Impacts	\$12,270,000	33.37%
3: Services to Disproportionately Impacted Communities	\$12,120,000	32.96%
4: Premium Pay	-	0.00%
5: Infrastructure	\$ 3,500,000	9.52%
6: Revenue Replacement	\$ 7,700,000	20.94%
7: Administrative	\$ 141,344	0.39%
TOTAL	\$36,767,594	100.00%

The Treasury issued the Interim Final Rule and changes may be made to the rule that may impact how a program or service is structured. At the time of preparation of this report, the Treasury had not issued a Final Rule.

On June 24, 2021, the Treasury issued Version 1.1 of the State and Local Fiscal Recovery Funds Compliance and Reporting Guidance (Attachment 2) that provides information that guides staff in structuring programs, services, and projects to meet reporting requirements and compliance.

The proposed Expenditure Plan considers the first allocation of funding only. The first allocation helps to continue efforts to decrease the spread of Covid-19 and address public health and economic challenges. The second allocation will be brought for consideration at a future date. Ongoing evaluation of projects/programs will be conducted for reporting purposes and to ensure that funding is being expended in the most impactful way. An ongoing online survey will be available on the ARPA webpage for community input. In addition to the survey, staff will seek input from community partners and will use available applicable data to evaluate and structure future projects/programs. Community partners often provide resources and services to our community and have a deep understanding of community needs. These community partners will have an opportunity to provide proposals for the second allocation of funding through a formal process that will ensure equitable opportunities for recommendations.

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 for 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 the proposed ARPA Expenditure Plan – First Allocation is in the amount of \$36,767,594. The Finance Department increased the revenue by such an amount and upon City Council’s approval of an expenditure plan, in accounts to be established, will appropriate such funds in the same amount. The City will receive its allocation in installments, with the first allocation being half of the funds and 12 months later the remaining half for a total amount of \$73,535,189.

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availability of funds: Edward Enriquez, Chief Financial Officer/Treasurer
Approved by: Al Zelinka, FAICP, City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Proposed Expenditure Plan
2. State and Local Fiscal Recovery Funds Compliance and Reporting Guidance
3. Presentation