



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: OCTOBER 10, 2023**

FROM: FINANCE DEPARTMENT, PARKS, RECREATION AND COMMUNITY SERVICES DEPARTMENT **WARDS: ALL**

SUBJECT: UPDATE ON THE AMERICAN RESCUE PLAN ACT EXPENDITURE PLAN; REALLOCATION OF FUNDS

ISSUE:

Receive an update on the American Rescue Plan Act Expenditure Plan and approve the proposed reallocation of funding.

RECOMMENDATIONS:

That the City Council:

1. Receive an update on the American Rescue Plan Act Expenditure Plan;
2. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record the reallocation of funds from various American Rescue Plan Act Expenditure Plan Projects to the Citywide Park Improvement Program in the amount of \$3,000,000;
3. With at least five affirmative votes, authorize the Chief Financial Officer, or designee, to record the reallocation of funds from various American Rescue Plan Act Expenditure Plan Projects to General Fund revenue replacement in the amount of \$2,193,244;
4. Reaffirm City Manager, or designee, flexibility to reallocate funds from the proposed Expenditure Plan to other similar and eligible uses should feasibility or timeliness concerns arise; and
5. Authorize the City Manager, or designee, to negotiate and execute 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 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 resulting from the COVID-19 pandemic. The US Department of the Treasury (Treasury) first released the 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. 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.

DISCUSSION:

The American Rescue Plan Act established the Coronavirus State and Local Fiscal Recovery Funds (Fiscal Recovery Funds) to aid 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 pandemic, 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.

Reallocation of Expenditure Plan Funds

The ARPA Expenditure Plan (Attachment 1) identifies funding allocated to date, as approved by the City Council, as well as a proposed reallocation 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 Treasury’s guidance. The term “Expenditure Category” refers to the detailed level and “Category” refers to all expenditures within that Category.

Category	Approved Allocation	Expended/ Committed	Net Proposed Reallocation	Revised Allocation
1. Public Health	\$ 2,436,250	\$ 492,035	\$ (328,133)	\$ 2,108,117
2. Negative Economic Impacts	28,155,000	4,848,159	(1,653,767)	26,501,233
3. Services to Disproportionately Impacted Communities	400,000	363,019	-	400,000
5. Infrastructure	500,000	10,000	(490,000)	10,000
6. Revenue Replacement	25,088,797	8,854,185	1,000,000	26,088,797
Citywide Revenue Loss	15,913,797	15,913,797	2,193,244	18,107,041
7. Administrative	466,344	-	(146,344)	320,000
Unallocated	575,000	-	(575,000)	-
TOTAL	\$ 73,535,188	\$ 30,481,195	-	\$ 73,535,188

The ARPA Expenditure Plan includes projects listed by Expenditure Category recommendation. The approved Riverside Road to Recovery, the Envision Riverside 2025 Strategic Plan, and guidelines from the Final Rule guide 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 thirteen (13) projects totaling \$4,618,244 would be recommended for reallocation based on a review of activity to date and in process, as well as reassessment of needs. This amount, plus previously unallocated funds of \$575,000 is recommended for reallocation to the Citywide Park Improvement Program and Revenue Replacement as follows:

1. Public Health \$(328,133)

- **1-14 Educational, and Health Promoting Recreational and Active Living Programs Scholarships \$(250,000):** Approximately \$200,000 of the \$1,050,000 ARPA allocation has been distributed to date. Given that the demand for scholarships has been less than anticipated, staff has determined that a portion may be reallocated and the remaining balance of \$856,000 will be sufficient to meet the immediate needs of the community.

- **1-18 Safe at Your Library \$(49,316):** The goals of this program have been achieved with the purchase of seven automated external defibrillators (AED), a self-checkout application purchase pending approval, and the payoff of a work truck lease.
- **2-01 COVID-19 Testing Kits \$(28,817):** This project is complete.

2. Negative Economic Impacts \$(1,653,767)

- **1-07 Senior Food Delivery \$(130,000):** Project 1-09 Community Food Services for Seniors and Teens has sufficient funding for senior food delivery, with remaining funds of approximately \$1,000,000; therefore, the \$130,000 allocation for this separate line item may be reallocated for other purposes.
- **1-08 Food Rescue & Food Waste Prevention \$(350,000):** Staff has determined that the goals of this program will not be able to be fulfilled within the required timeframe of funds to be encumbered and expended.
- **1-11 Nonprofit Grant Support \$(123,767):** This project is complete.
- **1-12 Essential Agriculture Workforce Development and Job Skills Training Scholarships & Workforce Programming Support \$(550,000):** Staff has determined that the goals of this program will not be able to be fulfilled within the required timeframe of funds to be encumbered and expended.
- **2-02 Nonprofit Partner Community Programs \$(500,000):** A Request for Proposals will be issued soon for this item; of the \$1,000,000 originally allocated, staff believes the amount of \$500,000 will be sufficient to meet the immediate needs of the community.

5. Infrastructure \$(490,000)

- **1-24 Parkway Community Gardens \$(490,000):** Staff has determined that the goals of this program will not be able to be fulfilled within the required timeframe of funds to be encumbered and expended.

6. Revenue Replacement \$1,000,000

- **1-27 Response Costs \$(1,000,000):** Based on a review of reimbursement requests submitted to FEMA and reimbursements received to date, a portion of these funds can be reallocated.
- **2-08 Citywide Park Improvement Program \$3,000,000:** Increase the allocation as described later in this report and to the parks projects detailed in Attachment 2.
- **2-10 Hydrogen Power Plant \$(1,000,000):** Staff has determined that the goals of this program will not be able to be fulfilled within the required timeframe of funds to be encumbered and expended.

6. Citywide Revenue Loss \$2,193,244

- **1-28 Revenue Replacement \$2,193,244:** Increase citywide revenue replacement as described later in this report.

7. Administrative \$(146,344)

- **1-30 Community Engagement Software Platform \$(21,344):** Staff has determined that the software did not provide the desired features, and therefore the purchase will not be made.

- **1-31 ARPA Grant Administration Software \$(125,000):** Staff has determined that the software did not provide the desired features, and therefore the purchase will not be made.

Unallocated \$(575,000)

- **Unallocated \$(575,000):** This amount remained unallocated in the first two expenditure plans.

Parks Projects

The February 7, 2023 reallocation brought the total allocation for Parks Maintenance Projects to \$10,000,000 and increased the Bordwell Gymnasium allocation by \$3,000,000 to a total of \$8,000,000. These funds, in addition to \$1,800,000 allocated to El Dorado Park Development in the first ARPA expenditure plan, brings the total ARPA funding allocation for parks projects to date to \$19,800,000. The approval of ARPA funding for parks projects allowed the City to make an initial investment toward addressing the City's deteriorating park infrastructure priority needs, including the replacement of HVAC systems, renovations of parking lots, flooring replacements and playground renovations, in addition to a gymnasium addition at Bordwell Park, located in a Ward 2 underserved neighborhood.

In addition to ARPA funding, on June 13, 2023, Council approved allocating one-time Measure Z funding of \$6,500,000 in FY 2022/23 and \$3,500,000 annually beginning in FY 2024/25 for parks facilities' deferred maintenance projects.

With this report, a \$3,000,000 increase for park maintenance projects is requested via the reallocation of ARPA funding for the following purposes:

- Playground Equipment and Renovations (Attachment 2): \$1,200,000
- Fairmount Park Lake Dredging: \$1,000,000
- Fairmount Golf Course Fence Replacement: \$800,000

Investing in our Community's Health and Wellbeing

The PRCSD is responsible for programming, planning, development, operation, and maintenance of the City's public recreational resources, including 60 park properties, almost 3,000 acres of park land and approximately 350,000 square feet of building facilities. As reported by the National Recreation Park Association, "The coronavirus disease 2019 (COVID-19) pandemic has shed an even bigger light on the essential role of local parks and recreation. In response to the COVID-19 pandemic, park and recreation professionals swiftly mobilized to keep parks, trails and green spaces open to support physical and mental health, while delivering vital services and programs to support the community. Park and recreation professionals are on the frontlines of the COVID-19 pandemic – and will continue to be in the months and years to come."

Good health and well-being in a City is directly impacted by the health of a City's park system, and a healthy park system requires a reliable but moderated funding stream to replace deteriorating infrastructure. Parks do Make Life Better and now more than a decade since the City's Riverside Renaissance (2007-2012) in which Riverside invested over \$100,000,000 renovating and building new park facilities, we are seeing a wave of increased maintenance cost as a result of park infrastructure being used beyond its intended lifecycle.

City Council voiced their concern, support and commitment this year by approving funding in the ARPA Expenditure Plan and future allocations through Measure Z to address ever-growing park deferred maintenance needs.

The City's commitment to annually invest to replace deteriorating park infrastructure is a great first step, and now Staff is working to get a handle on the best way to inventory and prioritize projects and future liability. Staff's initial list of priority projects addressed the most urgent needs within a snapshot in time, but we continue to have unforeseen damage and breakdowns within our park system suddenly rise to the top of the priority list. At some point, as funding is available, staff will make a recommendation for hiring a consultant to develop a complete inventory and database of park infrastructure, including age, remaining lifecycle, replacement cost, etc., for our entire park building and park facility system. A comprehensive park inventory will help measure, prioritize and manage our park infrastructure in a more proactive way. Nonetheless, continued investments are needed initially so we can continue to address the immediate priorities that will help keep our recreational resources functional and safe for public use. The following is a summary for existing and proposed deferred maintenance funding breakdown:

1. ARPA FUNDING:

- a. *The First ARPA Expenditure Plan* allocated an initial \$5,000,000 for the Bordwell Gymnasium Project and \$1,800,000 for El Dorado Park Improvements, both located in underserved community. Additionally, City Council directed staff to return with an itemized list for Park's infrastructure needs during the second allocation of funding for consideration.
- b. *The Second ARPA Expenditure Plan* allocated an additional \$3,000,000 for the Gymnasium Project and \$10,000,000 for Park Maintenance Projects. The Parks, Recreation and Community Services Department (PRCSD) performed an evaluation of priority unfunded deferred maintenance projects for consideration totaling \$12,028,000. The priority park projects focused on addressing safety concerns and improving public health, and ADA compliance and allowed City Council to make an initial critical investment in restoring park infrastructure.
- c. *Reallocation of ARPA Expenditure Plan Funding* totaling \$3,000,000 is being requested by the PRCSD to complete the initial list of deferred maintenance projects, as well as, Fairmount Park Lake dredging, well rehabilitation and fencing projects. These additional critical projects are needed to maintain Riverside's signature park, allowing the golf course to be irrigated reliably and the lakes to be maintained as a fishery and for paddleboat usage. Also, following a more in-depth analysis of the listed projects, it was determined that a few of the projects on the initial list are not in critical need of replacement and can be deferred without impact, including Arlanza Gym Flooring, Bryant Playground surfacing and Orange Terrace Playground Surfacing. See Attachment 2 for an updated priority list of Park Maintenance Projects totaling \$13,900,000 plus \$9,800,000 for the El Dorado and Bordwell Gym Projects.

2. MEASURE Z FUNDING:

- a. *2023 Park Deferred Maintenance Plan* - On June 13, 2023, Council approved a one-time allocation of \$6,500,000 and allocating \$3,500,000 of Measure Z funding annually beginning in FY 2024/25 for parks facilities' deferred maintenance projects.
- b. *2024-25 Park Deferred Maintenance Plan* - The PRCSD perpetual priority deferred maintenance needs currently totals over \$39 million, as summarized in the June

13, 2023, Council Report. Park Infrastructure encompasses 60 park properties, almost 3,000 acres of park land and approximately 350,000 square feet of building facilities. The \$3,500,000 annual deferred maintenance funding has a lot of competing demands, so Staff is doing the work to develop an updated priority list that will address the most pressing needs and also equitably distribute the funding throughout the City. The priority list will be developed through community involvement and presented to Council in more detail at a future meeting.

The City Council's continued commitment to complete critical park maintenance projects in 2023, is being requested and requires an additional \$3,000,000. Staff will continue to work with the Community and Council to develop an equitable five-year Deferred Maintenance Plan with specific projects identified for Fiscal Years 24/25 and 25/26, and the long-term goal of having a consultant inventory all of the City's park infrastructure and identifying the overall lifecycle replacement liability for future years. Investing in our City's park infrastructure is an investment in our City's future and will play a key role of creating and maintaining resilient recreational resources and a health community.

Playground Renovations, Flooring, HVAC and Parking Lots

An increase in ARPA funding in the amount of \$ 1,200,000 is recommended for citywide park maintenance projects.

The PRCSD performed an evaluation of unfunded deferred maintenance projects for consideration previously totaling \$12,028,000. The priority park projects focus on addressing safety concerns and improve public health and ADA compliance. While the majority of the proposed projects allowed the city to invest in park infrastructure that made a high impact on community well-being, such as playground renovations, it also included, a few parking lots, HVAC and flooring projects to help equitably distribute the funding throughout the City and replace critical infrastructure needed to keep the facility open and safe for public use.

The updated Park Deferred Maintenance Project list takes into account the initial approval of \$10,000,000 of ARPA funding and took a more in-depth analysis of priorities for the original projects listed. As a result, it was determined that a few of the projects on the initial list are not in critical need of replacement and can be deferred a few more years, including Arlanza Gym Flooring, Bryant Playground surfacing and Orange Terrace Playground Surfacing. The total cost to complete the modified list reduces the total cost of Park Maintenance projects to \$11,200,000.

As private sector recreational opportunities increase in cost, it is important to continue to invest in ensuring the sustainability of public parks, open spaces, community centers and recreational amenities as affordable and accessible options for all to enjoy. The additional \$1,200,000 will help complete the entire list of park deferred maintenance projects (Attachment 2), and the renovated City's playgrounds will revitalize and strengthen our community's health and well-being.

Fairmount Park Golf Course and Lake Deferred Maintenance

An increase in ARPA funding in the amount of \$ 1,800,000 for Fairmount park maintenance projects.

The City of Riverside's Fairmount Golf Course serves a broad and diverse group of residents including youth, adults and seniors. Municipal courses, in general provide affordable golf opportunities for people of various ages and economic means, strengthening the community's

mental health, physical health and well-being. Recent minimal fee increases focused on generating additional revenue, while still maintaining the goal of affordability, but didn't address other challenges at the golf course, such as, deteriorating infrastructure and inflationary costs of landscape maintenance and water usage.

The golf course offers reasonable rates to the community and offers discounts to various user groups including SCGA, PGA, two charter schools, one private school and schools from the Riverside Unified School District, Moreno Valley Unified School District and Rialto School District. These users are excited about last fiscal year's completion of the addition of driving range lights, which will extend play into the evening hours. While the golf course does generate revenue to assist in offsetting approximately 75% of the costs of operations, it does not include the cost for capital replacement and major repairs.

Currently, the PRCSD seeks to replace the irrigation well and install new perimeter fencing at the golf course. Following a review of available funding sources, the irrigation well has been determined to be an eligible use of Parks Regional Funds, whereas the fence replacement will require alternative funding. Therefore, staff is requesting an additional allocation of \$800,000 in ARPA funding for the fence replacement. These improvements will contribute to the course's resilience and our ability to maintain this unique recreation resource for future generations. Continued investment in keeping the golf course infrastructure in good repair, helps manage operating cost and to continue offering the community an affordable and reliable choice for golf.

An additional \$1,000,000 is requested for Fairmount Park to dredge the smaller lake with the Stewarts boathouse (aka. Fairmount Lake). Dredging Fairmount Lake would allow PRCSD to reactivate the paddleboats and create a healthier fishery by removal of 12"-36" of silts. The Fairmount Park lake system consists of three man-made lakes (Lake Evans - +/-36.3 acres, Fairmount Lake - +/-5.5 acres, and Brown Lake - +/-1.9 acres), totaling over 40 acres of water surface. The City of Riverside last dredged the lakes in 2008 as a part of the Riverside Renaissance initiative to renovate our park system, removing almost 50,000 cubic yards of sediment from Fairmount Lake, 120,000 cubic yards from Lake Evans and 4,200 cubic yards from Brown Lake with a total cost of \$2,500,000. Fairmount Lake depth ranged from two to six feet when the dredging was completed and now there are areas completely filled to the surface with silt mostly from storm water siltation coming from offsite sources. Removal of the sediment, estimated at 20,000 – 30,000 cubic yards, will both greatly enhance the circulation and overall water quality, will also allow bring the paddleboats back and create a healthier fishery. Additional future lake shore and Springbrook Arroyo improvements are being designed and funding opportunities through the County of Riverside Flood Control District are being researched. The dredging of the lake and arroyo will aid in this future work.

Citywide Revenue Replacement

Of the ARPA amount available for reallocation, staff recommends allocating the residual balance of \$2,193,244 toward citywide revenue replacement to help offset the immediate impact of the Water GFT loss to the General Fund. At the Council meeting of September 19, 2023, staff recommended and Council approved an action to place the Water General Fund transfer funds into an escrow account until all pending litigation is resolved. This action can take several years. Due to the necessity to expend ARPA funds by December 31, 2026, staff recommends the balance of any unspent ARPA dollars be allocated to revenue replacement. This serves the purpose of meeting the time constraints placed on the funding as well as allows the City to utilize the funds for immediate needs.

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 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 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:

There is \$0 net fiscal impact resulting from the reallocation of ARPA funding between projects. 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: Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Certified as to availability of funds: Edward Enriquez, Assistant City Manager/Chief Financial Officer/Treasurer
Approved by: Mike Futrell, City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. ARPA Expenditure Plan
2. Proposed Park Projects List
3. Presentation