



City of Rialto

Legislation Details (With Text)

File #:	21-0720	Version:	1	Name:	
Type:	Presentation	Status:		Agenda Ready	
File created:	9/30/2021	In control:		City Council	
On agenda:	10/7/2021	Final action:			
Title:	Request City Council to Provide Direction to Staff on the Use and Allocation of the American Rescue Plan Act (ARPA) Funding.				
Sponsors:					
Indexes:					
Code sections:					
Attachments:	1. Attachment A - B.pdf, 2. Attachment C City of Rialto CDBG Map.pdf, 3. ARPA Rialto Presentation final 9-30-21.pdf				

Date	Ver.	Action By	Action	Result
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For Special City Council Workshop Meeting [October 7, 2021]

TO: Honorable City Council

APPROVAL: Marcus Fuller, City Manager

FROM: Stephen Erlandson, Director of Finance

Request City Council to Provide Direction to Staff on the Use and Allocation of the American Rescue Plan Act (ARPA) Funding.

BACKGROUND:

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA), which appropriates nearly \$1.9 trillion nationwide for COVID-19 pandemic relief funding including \$350 billion for every eligible state, city, town, territorial and Tribal governments in the country. ARPA establishes the Coronavirus State and Local Fiscal Recovery (SLFR) Fund to provide an infusion of resources to help State, local and Tribal governments address their economic struggles in responding to the impact of COVID-19 and to assist with recovery on their communities, residents and businesses.

The City of Rialto (City) was awarded \$29,373,105 in SLFR funds through the ARPA. The U.S. Department of Treasury used the standard Community Development Block Grant (CDBG) formula for determining the allocation of funds to metropolitan cities. The distribution of ARPA funds will be separated into two allocations. On June 18, 2021, the City received the first distribution of funding, in the amount of \$14,868,552.50. The balance is expected to be allocated approximately 12 months later.

The SLFR funds must be spent using the Interim Final Rules provided by the United States Federal Government Department of Treasury (US Treasury), also known as the "ARP guidelines" that accompanied the SLFR funds which identify and define the eligible uses of these federal funds.

On September 14, 2021, City staff prepared a staff report to allow the City Council to consider the range of options and available use of the SLFR funds as may be restricted by the administrative regulations implemented through the ARPA. Staff was provided direction to continue exploring possible uses that would be eligible for SLFR funds. The information contained in this report provides a summary of categories and possible uses of the funds as identified in the Interim Final Rule adopted by the Treasury. Also, contained in this report are potential projects that can be funded under the identified categories.

ANALYSIS/DISCUSSION:

The City was allocated \$29,373,105 in SLFR funds. On June 18, 2021, the City Rialto received the first distribution of funding, in the amount of \$14,868,552, and the balance is anticipated to be provided in June 2022. The U.S. Treasury issued an Interim Final Rule with guidance on the funding allocation methodology, distribution process, and reporting requirements. The Interim Final Rule is a 39-page document that can be viewed at:

<https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>.

The Interim Final Rule permits funds to be used to cover costs incurred beginning on March 3, 2021. SLFR funds must be obligated by December 31, 2024 and expended by December 31, 2026. ARPA recipients are required to meet compliance and reporting responsibilities to ensure an equitable, transparent, and responsible recovery. SLFR is intended to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and assist efforts to mitigate impacts on communities, residents, and businesses. The City has discretion to use the funds in ways to meet the needs of the community - as long as the use fits into one of the following categories:

A. Public Health and Economic Impacts

B. Provide premium pay for essential workers

C. Replace public sector lost revenue

D. Invest in water, sewer, or broadband infrastructure

These four categories are further split into 7 summary expenditure categories:

1. Support Public Health Expenditures
2. Address Negative Economic Impacts Cause by the Health Emergency
3. Services to Disproportionately Impacted Communities
4. Provide Premium Pay to Essential Workers
5. Invest in Infrastructure - Water, Sewer and Broadband
6. Replace Lost Public Sector Revenue
7. Administrative

1. Support Public Health Expenditures

Funds under this category should be able to report how the funds have been used to respond to COVID-19 and the broader health impacts of COVID-19 and the COVID-19 public health emergency.

To determine if a use would “respond,” a recipient should: (1) identify a need or negative impact of the COVID-19 public health emergency and (2) identify how the program, service, or other intervention addresses the identified need or impact. Funds under this category need to be used to respond to the disease itself or the harmful consequences of the economic disruptions resolution from or exacerbated by the COVID-19 public health emergency. Funds may be used towards mitigation, medical expenses, behavioral healthcare, and public health resources. Funds may be used for payroll and covered benefits for public health, healthcare, human services, public safety, and similar employees, to the extent that were working on a COVID-19 response.

Additional examples of use in this category:

- Vaccination Programs
- Support for Vulnerable Populations to Access Medical or Public Health Services
- Enforcement of Public health Orders
- Public Communication Efforts
- Capital Investments in Public Facilities to Meet Pandemic Operational Needs
- Hotlines or warmlines
- Services or outreach to promote access to health and social services

It should be noted that ARPA recognizes that the response to the COVID-19 public health emergency has changed and will continue to change over time. In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee’s time that is dedicated to responding to the COVID-19 public health emergency. For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee’s time is dedicated) to responding to the COVID-19 public health emergency.

Recipients may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to COVID-19 response. The recipient should maintain records to support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours. Recipients should periodically reassess their determinations.

2. Address negative economic impacts caused by the health emergency

Eligible uses in this category include assistance to households; small businesses and non-profits; and aid to impacted industries.

Assistance to households includes, but is not limited to: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to

a worker's occupation or level of training.

Assistance to small business and non-profits includes, but is not limited to:

- Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs;
- Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs;
- Assistance to small businesses could include support to enhance outdoor spaces for COVID-19 mitigation (e.g., restaurant patios) or to improve the built environment of the neighborhood (e.g., façade improvements); and
- Technical assistance, counseling, or other services to assist with business planning needs

Additional programs for consideration under this category include:

Universal Basic Income Program

A Universal Basic Income Program is designated as an eligible use of SLFR funds. Many other agencies in the State of California have implemented their own programs or are in the planning stages of creating such a program. All agencies surveyed have used different funding sources, have different criteria of eligibility for the recipients, and have various length of implementation time. Cash payments are allowed, but they need to be tied to COVID-19 and the economic effects of the pandemic. These programs require recipients to identify the amount of the total funds that are allocated to evidence-based interventions and if the programs are primarily serving disadvantaged communities. City staff may lead the development and implementation of this allocated program.

One-Time Stimulus/Cash Payments

Similar, to a Universal Income Program, one-time cash payments to Rialto residents need to be tied to COVID-19 and the economic effects of the pandemic. When considering appropriate size of permissible cash transfers made in response to the COVID-19 public health emergency local governments may consider and take guidance from the per person amounts previously provided by the federal government in response to the COVID crisis. For example, under the CARES Act, individual tax filers with adjusted gross income up to \$75,000 (up to \$150,000 for married couples filing joint returns) will receive the full payment. For filers with income above those amounts, the payment amount is reduced and then phased out for individuals whose income exceeds \$99,000 (or \$198,000 for joint filers with no children). Payments were made as follows: \$1,200 for individuals or \$2,400 for married couples. Parents also receive \$500 for each qualifying child.

It should be noted, that individuals or businesses are not required to demonstrate a negative economic impact for that individual or business to receive assistance. The Interim Final Rule allows recipients to demonstrate a negative economic impact on a population or group and to provide assistance to households or businesses that fall within that population or group. In such cases, the recipient need only demonstrate that the household or business is within the population or group that experienced a negative economic impact.

For assistance to households, the Interim Final Rule states, “In assessing whether a household or population experienced economic harm as a result of the pandemic, a recipient may presume that a household or population that experienced unemployment or increased food or housing insecurity or is low or moderate-income experienced negative economic impacts resulting from the pandemic.”

3. Serving the hardest-hit communities and families

Funds under this category should be able to report how the funds have been used to provide services to communities disproportionately impacted by the COVID-19 public health emergency. Funds under this category local governments can provide unique support where the local government provides services within a Qualified Census Tract, to families living within a Qualified Census tract, or to other populations, households, or geographic areas disproportionally impacted by the pandemic.

Additional Examples of use under this category include:

- Funding community health workers, public benefit navigators, remediation of lead hazards, and community violence intervention programs
- Services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling, and housing navigation assistance
- Addressing education disparities through new or expanded early learning services, additional funds to high-poverty school districts, and providing tutoring or afterschool programs or expansion of library programs
- Promote healthy childhood environments including high quality childcare, home visiting programs for families, and enhanced services for child welfare-involved families or foster youth
- Development of park/open space. For example, investments in parks, public plazas, and other public outdoor recreation spaces may be responsive to the needs of disproportionately impacted communities by promoting healthier living environments and outdoor recreation and socialization to mitigate the spread of COVID-19.

4. Replace lost public sector revenue

Funds under this category should be able to report how the funds have been used to provide government services and the lost revenue the local government faced due to the COVID-19 public health emergency. The Interim Final Rule provides a methodology for each local government to calculate its reduction in revenue. Based on this methodology finance staff calculated revenue loss of \$78,242,000 in the General Fund. The use of SLFR funds for assisting the General Fund losses cannot be put into a “rainy day” fund or to build up reserves. Revenue loss can be calculated at four points in time: December 31, 2020; December 31, 2021; December 31, 2022; December 31, 2023.

Funds under this category may be used for the provision of general government services including:

- Maintenance of infrastructure or pay-go spending for building new infrastructure, including roads. Staff has compiled a preliminary short list of projects for Council’s consideration and

discussion purposes, this list can be significantly expanded based on the direction of City Council (see **Attachment A**).

- Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure
- Health services
- Environmental remediation
- School or educational services
- Provision of police, fire, and other public safety services

Funds under this category may only be spent up to the amount of revenue lost due to public health emergency. Based on the City's calculation the entire amount would qualify under this category.

5. Provide premium pay for essential workers

Funds under this category should be able to report how the funds have been used to provide the sectors or occupations in any premium pay program and be able to describe how the approach prioritizes low-income workers. Funds under this category may be provided as premium pay directly or through grants to private employers. Essential workers are defined as those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others.

6. Invest in water and sewer infrastructure

Funds under this category should be able to report how the funds have been used to achieve the goals and typed of projects being pursued. Projects eligible under this category are those that would receive financial assistance through the EPA's Clean Water State Revolving Fund (CWSRF) or the Drinking Water State Revolving Fund (DWSRF). For discussion purposes, Staff has prepared a list of recommended projects for City Council's consideration (see **Attachment B**). To the extent SLFR funds are allocated to water / wastewater capital projects, the investment will help to defray and reduce future utility rate increases on Rialto customers that might otherwise be required in the absence of this outside funding.

Eligible projects under the CWSRF include:

- Construction of publicly owned treatment works
- Nonpoint source pollution management
- National estuary program projects
- Decentralized wastewater treatment systems
- Stormwater systems
- Water conservation, efficiency, and reuse measures
- Watershed pilot projects

- Energy efficiency measures for publicly-owned treatment works
- Water reuse projects
- Security measures at publicly-owned treatment works
- Technical assistance to ensure compliance with the Clean Water Act

7. Invest in broadband services/infrastructure

Funds can be used to support broadband services under the general programs listed above. Funds under those categories may be used to provide assistance to households facing negative economic impacts due to COVID-19, including digital literacy training and other programs that promote access to the Internet.

Under this category designing infrastructure investments to provide service to unserved or underserved households or businesses means prioritizing deployment of infrastructure that will bring service to households or businesses that are not currently serviced by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed. To meet this requirement, states and localities should use funds to deploy broadband infrastructure projects whose objective is to provide service to unserved or underserved households or businesses. These unserved or underserved households or businesses do not need to be the only ones in the service area funded by the project.

Qualified Census Tract Data and Eligibility

In recognition of the disproportionate impacts of the COVID-19 virus on health and economic outcomes in low-income communities, the Interim Final Rule identifies a broader range of services and programs that can be considered to be in response to the public health emergency when provided in these communities. Specifically, U.S. Treasury will presume that certain types of services are eligible uses when provided to families living in a Qualified Census Tract (QCT). The City may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, the City should be able to support their determination for how the pandemic disproportionately impacted the populations, households, or geographic areas to be served. Eligible services include addressing health disparities and the social determinants of health, building stronger neighborhoods and communities, addressing educational disparities exacerbated by COVID-19, and promoting healthy childhood environments, including: child care, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth. The City of Rialto's QCTs are shown in **Attachment C**, and can be referred to when trying to determine if the program location is defined as an eligible use to spend ARPA funds.

CONCLUSION

The City was awarded \$29,373,105 in SLFR funds through the ARPA. Half of the allocation in the amount of \$14,868,552 was received on June 18, 2021, and the balance will be provided in June 2022. The U.S. Treasury issued an Interim Final Rule with guidance on the funding allocation methodology, distribution process, and reporting requirements. The information contained in this report provides the City Council information regarding the potential City programs and/or projects that are eligible under the use categories identified in the Interim Final Rule adopted by the Treasury.

Staff requests general direction on the allocation of SLFR funding towards two general areas:

- Financial Assistance to Residents/Businesses; and
- Capital Projects

Staff also requests general direction on the type of financial assistance / programs to residents and businesses, and the type of capital projects the City Council would like to pursue with SLFR funds.

Based on City Council direction, Staff will prepare a proposed SLFR expenditure plan, begin formulating specific programs and present to the City Council for future consideration and approval.

ENVIRONMENTAL IMPACT:

The request is not a “Project” as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a “Project” means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

GENERAL PLAN CONSISTENCY:

The proposed First Amendment to Location Agreement will encourage maintain a positive business relationship with Medline and is consistent with the following General Plan Goals and Policies related to economic development:

- Goal 3-1: Strengthen and diversify the economic base and employment opportunities and maintain a positive business climate.
- Policy 3-1.2: Encourage a variety of businesses to locate in Rialto, including retail, high technology, professional services, clean industries, logistics-based businesses, and restaurants/entertainment uses to promote the development of a diversified local economy.

LEGAL REVIEW:

The City Attorney reviewed and recommends approval of the staff report.

FINANCIAL IMPACT:

Operating Budget Impact

Depending upon the direction provided, a certain amount of the City’s SLFR funds may be directed towards operation of various programs for the community.

Capital Improvement Budget Impact

Depending upon the direction provided, a certain amount of the City’s SLFR funds may be directed towards capital improvement projects.

Business License

Not applicable.

RECOMMENDATION:

Staff recommends that the City Council:

1. Provide general direction on the allocation of SLFR funding towards two general areas:
 - Financial Assistance to Residents/Businesses; and
 - Capital Projects
2. Provide general direction on the type of financial assistance / programs to residents and businesses, and the type of capital projects the City Council would like to pursue with SLFR funds.

Or provide alternative direction.