



# Agenda Report

August 16, 2021

**TO:** Honorable Mayor and City Council  
**FROM:** Department of Finance  
**SUBJECT:** **AMERICAN RESCUE PLAN ACT APPROPRIATIONS**

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") in accordance with Section 15061(b)(3), the General Rule that CEQA only applies to projects that may have an effect on the environment;
2. Approve the proposed amendments to the Fiscal Year (FY) 2022 Operating and Capital Improvement Budgets as detailed in the background section of this report, or alternatively;
3. Provide direction as to the process by which the City Council wishes to approach allocation of the American Rescue Plan Act funds.

## **EXECUTIVE SUMMARY:**

The COVID-19 pandemic has produced incredible strain on certain sectors of the economy, which has resulted in significant revenue loss for the City of Pasadena and jeopardized the City's ability to maintain services and undertake Capital Improvement Projects. Specifically, using the methodology contained in the American Rescue Plan Act (ARPA), it is estimated that the City, including the Rose Bowl Operating Company (RBOC) and the Pasadena Center Operating Company (PCOC), have lost a combined total of \$96 million since the start of the COVID-19 pandemic in March 2020.

In addition to this, the City and its operating companies have expended roughly \$39.6 million in direct response to the pandemic and as of this date, the City has only received approval for reimbursement for the first two-months of the Great Plates Program, but has not received any FEMA reimbursements and no timeline has been provided by the Federal Government as to when, and if, funds will be provided. Finally, the economic crisis brought about by the pandemic has exacerbated the financial condition of the RBOC, necessitating the provision of \$22.5 million from General Fund reserves to backstop the RBOC for FY 21 and FY 22, with additional support anticipated for the future.

It is in this context that the City Council is asked to consider how to program the first installment of ARPA funds provided to the City, totaling \$26 million. As discussed below, staff is presenting specific recommendations for City Council consideration. The City Council may accept some or all of these recommendations or choose to approach the allocation in a different fashion, in which case staff would proceed as directed.

Total economic loss	\$96 M
COVID response expenditures	\$39.6 M
General Fund support for RBOC	\$22.5 M
Total financial impact	\$158.1 M
ARPA Funds June 2021	\$26.3 M

**BACKGROUND:**

ARPA is a \$1.9 trillion economic stimulus bill signed into law by the President on March 11, 2021. Within the ARPA total allocation is \$350 billion for state, local, territorial, and Tribal governments to respond to the COVID-19 emergency. Pasadena's allocation of direct local stimulus is \$52,625,975 with the first 50% allocation paid to the City in June 2021 and the balance in June 2022.

The ARPA itself is very broad in nature with a focus on four key program areas wherein the dollars may be utilized: 1) to respond to the public health emergency or its negative economic impacts, 2) to respond to workers performing essential work during the COVID-19 pandemic, 3) for the provision of government services to the extent of the reduction in revenue due to COVID-19, and 4) to make necessary investments in water, sewer or broadband infrastructure. Additionally, the ARPA rules specifically prohibited the deposit of any ARPA funds towards pension liabilities. The Interim Final Rule (IFR) guidance released by the U.S. Treasury Department also prohibits making debt service payments or contributions to fiscal reserves.

The use of ARPA funds is retroactive to March 3, 2021 and all funds must be obligated by December 31, 2024. The nearly four-year time period is designed to provide prolonged support and recovery with the understanding that the recovery from COVID-19 will take years. Therefore, building a spending plan is important to maximize impact to the City and community over time.

Attachment B is Appendix 1 from the U.S. Treasury's Compliance and Reporting document and provides a list of all allowable funding categories within the four broader categories mentioned above. The City Council may allocate funding to any use that falls within these categories. Staff is proposing specific recommendations totaling the initial \$26 million installment and recommends waiting until the spring to consider how to allocate the June 2022 second installment. Nevertheless, the City Council may proceed in the fashion it determines to be most appropriate.

From staff's perspective, there are many public goods that could be furthered through an investment totaling \$52 million. However, consistent with our long held commitment to fiscal stability, which served us well in the face of the COVID-19 recession, it is appropriate to consider the City's current and projected financial condition when considering how to utilize these one-time funds.

The General Fund five-year forecast is the model the City uses to identify financial trends and drive fiscal decision making. The current forecast (Attachment A) indicates that in the current fiscal year, the General Fund is expected to have an operating loss of approximately \$9.77 million, with future operating deficits projected for every-year thereafter, for the life of the forecast. Based on these projections, by the end of FY 28 the City's General Fund reserves will be depleted, thus jeopardizing the City's ability to maintain existing services to its residents.

Consequently, the recommended appropriations outlined below have been prioritized to first address the projected operating deficit in the General Fund and other key funds significantly impacted by the COVID-19 pandemic. The next level of priority is to replenish funds removed from capital projects needed to shore up the operating budget and thus avoid service reductions; additionally, where noted some other critical infrastructure projects are recommended.

Recognizing that there are other pressing needs in support of our community, staff is recommending appropriations to further the City's ongoing efforts to address homelessness and community violence as well as provide financial support to the implementation of a COVID-19 vaccination policy for City employees.

### ***Recommended Appropriations***

1. Appropriate \$9.8 million to the General Fund to backfill revenue losses, maintain essential services, and eliminate the projected operating deficit for FY 22.
2. Appropriate \$8.539 million to the Capital Improvement Program Budget as follows for projects previously approved and budgeted prior to the pandemic:
  - a. Annual ADA Sidewalk and Curb Ramp Improvements (projects 73913 and 73937) - \$2.0 million
  - b. Colorado Street Bridge Enhancements (project 73324) - \$2.0 million
  - c. Traffic Signal at Del Mar Blvd. and Michigan Ave. (project TBD) - \$683,000
  - d. Traffic Signal at Orange Grove Blvd. and Craig Ave. (project 75097) - \$440,000
  - e. Traffic Signal at Orange Grove Blvd. and Sunnyslope Ave. (project 75099) - \$416,000
  - f. High Voltage Series Street Light Conversion (project 74415) - \$3.0 million
3. Appropriate \$400,000 to the Capital Improvement Program Budget for Fire Station 37 seismic upgrades. The current budget includes \$1.5 million for tenant improvements; however, additional seismic work is required. This work includes the strengthening of wood shear walls, roof sheathing, shear wall foundations, and the bracing and anchoring of non-structural high-risk elements.



4. Appropriate \$2.0 million to the Capital Improvement Program Budget for Fire Station 38 tenant improvements necessary to maintain operational standards of the facility. Proposed work includes the renovation of the kitchen, dining and living areas, bathroom and locker room; reconfiguration of the dormitory to provide single occupancy and gender neutral facilities; electrical system upgrades, heating ventilation and air-conditioning system (HVAC) upgrades; and a new roof.
5. Appropriate \$1.0 million to offset revenue losses in the Parking Fund to maintain operations and prevent the fund from going into a negative cash position.
6. Appropriate \$623,000 to offset revenue losses from various on-street parking funds and the General Fund for the waiver of occupancy fees through June 2022 to support outdoor dining in the public right-of-way.
7. Appropriate \$630,000 to the Housing Department's FY 22 operating budget to support the following services:
  - a. \$400,000 for implementation of a bridge housing program for Pasadena City College students who are experiencing homelessness or at-risk of homelessness.
  - b. \$80,000 for addition of a second HOPE Team case manager from Union Station. Last year, Union Station was funded to hire a case manager dedicated to support the HOPE Team. By all accounts it has been very successful. The case manager helps to connect persons contacted by HOPE to services and housing. There are three HOPE Teams, but currently only one case manager.
  - c. \$150,000 to fund additional eviction prevention legal services through the Housing Rights Center. Historically, the City has provided annual support to the Housing Rights Center in the amount of \$22,000. In December 2019, the City Council increased this amount to \$97,000. Although eviction moratoriums remain in effect at the federal, state and local level, the reality is they will end at some point. Providing additional support to the Housing Rights Center, will help safeguard the rights of Pasadena renters who may face eviction once the moratoriums are over
8. Reserve \$550,000 in ARPA funds to support the previously approved creation of the second Pasadena Outreach Response Team (PORT) for FY 23 and FY 24. The second PORT team is included in the FY 22 operating budget and was funded by the General Fund. This program is an allowable use of ARPA funds; therefore, it is recommended to utilize this funding source for FY 23 and FY 24.
9. Reserve \$600,000 in ARPA funds to support the previously approved Public Health Department's Health Equity Program for FY 23 and FY 24. The Health Equity Program is included in the FY 22 operating budget and was funded by the General Fund. This program is an allowable use of ARPA funds and therefore it is recommended to utilize this funding source for FY 23 and FY 24.

10. Appropriate \$200,000 to the General Fund, City Manager's Office budget, to support continued efforts that reduce community violence and further prevention and intervention efforts. In January 2021, following a significant rise in shootings, the City engaged a team of interventionists seeking to reduce the level of community violence. To date, as recently reported to the Public Safety Committee, the effort has been successful in reducing shooting incidents. However, it has been recognized that a longer-term sustainable strategy is needed, if the City is to break the cycle of violence that has repeated itself many times over the years. The proposed appropriation would provide for a continuation of intervention services and provide resources to help buildout the effort.
11. Appropriate \$925,000 to cover the anticipated cost of COVID-19 testing for unvaccinated employees as set forth in the City's new mandatory vaccine policy through June 2022.

In addition to the items recommended above, consideration was also given to recommending additional funding for rental assistance and utility assistance. In regards to rental assistance, roughly \$4 million of City and County funding has already been provided to Pasadena residents. Federal emergency rental assistance funding, is still available to residents through the state of California.

The state of California's budget for FY 22 includes \$1 billion in electric bill assistance and \$1 billion for water/wastewater bill assistance. This program will result in direct payments to utility providers and the State is in the process of finalizing this program. The City expects to submit all eligible outstanding bill amounts by December 2021. Once the State receives all submissions from utility providers, the funding allocations will be made some time in the first-half of calendar year 2022.

As discussed above, it is anticipated that the City will receive the second ARPA payment in June of next calendar year. Staff believes that given continued uncertainty related to COVID-19, its impacts on the economy and the City's finances, it is appropriate to wait until that time to make further allocations of ARPA funds.

#### **COUNCIL POLICY CONSIDERATION:**

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced by utilizing ARPA funds to maintain necessary services negatively affected by COVID-19.

**FISCAL IMPACT:**

The ARPA funds will provide needed funding to stabilize funding for COVID-19 response and recovery, maintain needed services, and reinvest in the City's infrastructure. Appropriating funds to stabilize the General Fund and the Parking Fund from revenue losses will ensure that these funds remain solvent; however, financial plans will continue to be made to develop balanced budgets into the future while replenishing necessary reserves.

<b>APRA Funding - 50%</b>	<b>\$ 26,312,988</b>
<b>Appropriations</b>	
Public Health Services	350,000
Public Health Building Improvements	250,000
Pasadena Convention and Tourism Recovery	475,000
<b>Unappropriated Balance</b>	<b>\$25,237,988</b>
<b>Proposed Appropriations/Reserves</b>	
Revenue Shortfall - General Fund	9,768,845
Revenue Shortfall - FY 21 Capital Improvement Projects	8,539,000
Revenue Shortfall - Fire Station 37 Renovation	400,000
Revenue Shortfall - Fire Station 38 Renovation	2,000,000
Revenue Shortfall - Parking Fund	1,000,000
Economic Impacts - Support Outdoor Dining	623,000
Public Health Emergency - Housing	630,000
Public Health Emergency - PORT	550,000
Public Health Emergency - Health Equity	600,000
Public Health Emergency - Reduce Community Violence	200,000
Public Health Emergency - COVID-19 Testing	925,000
<b>Total Proposed</b>	<b>\$25,235,845</b>

Respectfully submitted,

  
MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:

  
STEVE MERMELL  
City Manager

Attachments:

- A – General Fund 5-Year Forecast
- B – U.S. Treasury Compliance and Reporting Appendix 1