



# Agenda Report

June 14, 2021

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

## **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. Amend the Fiscal Year (FY) 2021 and 2022 Adopted Operating Budgets as detailed in the background section of this report by a net amount of \$4,048,000;
3. Amend the Fiscal Year 2022 Capital Improvement Program Budget to add the *Public Health Building Improvement (71920)* project as detailed in this report and appropriate \$250,000 upon the Planning Commissions concurrence that this project is consistent with the General Plan; and
4. Recognize revenue in the amount of \$26,312,988 in FY 2021 for the initial tranche of American Rescue Plan Act funding and obligate the full \$52,625,975 allocation for Public Health response and revenue reduction offset as allowed in the Treasury Interim Guidance document.

## **BACKGROUND:**

The American Rescue Plan Act of 2021 (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: respond to the public health emergency or its negative economic impacts, to respond to workers performing essential work during COVID-19, for the provision of government service to the extent of the reduction in revenue due to COVID-19, and to make necessary investments in water, sewer or broadband infrastructure. Additionally, the ARPA specifically prohibited the deposit of any ARPA funds towards pension liabilities and the

Interim 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. A time period covering almost four years 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. The included recommendations to obligate all the funds now to the public health response and revenue reduction categories is intended as an initial step for required quarterly reporting; however, the Council may adjustment obligation categories over time to any of the allowable uses.

This report outlines some immediate recommendations for appropriations along with some categorical ideas for future appropriations that will be brought forward in the coming months. In developing recommendations, particularly for immediate appropriations, staff has focused on actions that would off-set COVID-19 related revenue losses and/or free-up limited resources to further previously adopted projects and priorities.

In some cases, as it relates to future possible appropriations, consideration has been given to meeting important community needs. For example, support for housing and efforts to reduce homelessness as well as the expansion/affordability of broadband service has been suggested. Nevertheless, as ARPA funding is one-time funding, limited in duration, proposals that would establish new, ongoing programs that would necessitate continued support by the General Fund are generally not being proposed.

### **Recommendations for Appropriations at this time:**

- 1. Public Health Response** – The Public Health Department recommends appropriating \$350,000 from the ARPA funds to the FY 2021 Operating Budget to support expenditures retroactive to March 3, 2021 through June 30, 2021 that are not funded by an existing grant nor are FEMA eligible. These costs include staffing and support for contact tracing and vaccination clinics.
- 2. Public Health Building Improvements (71920)** – The Public Health Department recommends adding this project to the FY 2022 Capital Improvement Program (CIP) budget and appropriating \$250,000 from the ARPA funds to this project. See Attachment B for project details. The department needs to repurpose the former lab space in the Public Health building to accommodate staff returning to the office. The department does not currently have existing grants or funds to pay for this work and it is an eligible expense under the response to the public health emergency of ARPA.

Due to the timing of this report, this project will be reviewed by the Planning Commission for General Plan Consistency at a future Planning Commission meeting.

3. **Pasadena Convention and Visitors Bureau Tourism Recovery Plan** – The City Manager's Office in partnership with the Pasadena Center Operating Company recommends appropriating \$475,000 from ARPA funds to the FY 2022 Operating Budget for rehiring three staff members in the Pasadena Convention and Visitors Bureau and implementing a Tourism Recovery Stimulus Plan (Attached) to benefit the greater business community including hotels and restaurants. This is an eligible expense under the revenue reduction category of ARPA.
4. **General Fund and Various Parking Meter Fund Revenue Loss** – The Finance Department recommends recognizing revenue in the amount of \$623,000 to offset revenue losses from the support of dining in the public right-of-way. This supports the waiver of all fees related to dining in the public right-of-way for FY 2022. This is an eligible expense under the revenue reduction category of ARPA.
  - a. Sidewalk Dining - \$163,000 (General Fund)
  - b. On-street Dining - \$272,000 (General Fund)
  - c. Old Pasadena Meter Fund - \$184,000
  - d. South Lake On-street Meter Fund - \$4,000

5. **General Fund Revenue Loss** – The Finance Department recommends recognizing revenue in FY 2021 in the amount of \$2,600,000 to offset all General Fund Operating Budget adjustments approved between March 3, 2021 and June 30, 2021 that negatively impact fund balance. This is an eligible expense under the revenue reduction category of ARPA.

### **Potential Future Appropriations**

With the understanding that funds can be obligated through the end of 2024 and that the City will not receive the second half of the funds until May 2022, developing a plan with some flexibility to evaluate future needs is critical.

1. **Public Health Fund** – The Public Health Department will continue to incur expenditures related to the response of COVID-19 and the related health impacts that are not eligible for FEMA and not covered by an existing grant. This item builds off the recommendation above with the understanding that the scope may increase further once the FEMA reimbursement period expires for programs or services that continue.
2. **Off-Street Parking Fund Revenue Loss** – The Off-Street Parking Fund will realize losses of more than \$5 million in Fiscal Year 2021 resulting in a negative fund balance of approximately \$683,000. Per the revenue loss calculation methodology provided by the US Treasury Department, \$4.8 million is eligible under the revenue loss category. Utilizing ARPA funds to fund some or all of the \$4.8 million loss will ensure the fund remains solvent and able to address operational and preventative maintenance needs of the City's parking garages.
3. **General Fund Revenue Loss** – Per the revenue loss calculation methodology, the General Fund incurred more than \$22 million of losses in calendar year 2020. In order to balance the budget and maintain fiscal responsibility, the City Council

adopted an FY 2021 budget that eliminated all General Fund Capital Improvement Projects, some unfunded positions including the Risk Manager and a Collections Specialist, and reduced funding for preventative building maintenance and vehicle replacement. Revisiting these reductions is appropriate as they were all originally supported and necessary; however, waiting to evaluate the passage of a federal infrastructure bill first is critical to identify if funding other than ARPA may be available for the capital improvement projects.

4. **Housing Support** – The ARPA and the Governor’s proposed 2022 budget includes significant funding for rental, mortgage, and utility assistance. The outcome and benefits of these programs will help determine what needs remain in Pasadena. Earmarking some ARPA funds to potentially fund a locally administered program should there continue to be a significant need after the state and federal programs have been exhausted may be valuable.
5. **Technology and Cybersecurity** – Staff are developing plans to enhance cybersecurity and deliver an improved online presence for the community.
6. **Capital Improvement Pay-Go Funding** – The City’s Capital Improvement Program budget has a long list of necessary but, unfunded projects. Within the Revenue Loss category, the City may use funding to complete capital improvement or preventative maintenance projects with pay-go funding that is not supported by bonds or other debt.
7. **Affordable Housing or Homeless Housing Support or Acquisition** – Acquire, renovate or supplement funding gaps for properties to support affordable or homeless housing efforts within the City. The guidelines require these projects to be turnkey or have a very short turnaround time to maximize impact.
8. **Broadband Infrastructure** – The City may consider Broadband Infrastructure projects such as the expansion of the existing fiber footprint in the City to fund last mile broadband connections to commercial entities targeting underserved commercial target areas; fund wireless broadband service to select low income/affordable housing developments or qualified census tracts through the City or existing private vendors; or provide direct financial assistance to qualifying residents for their monthly broadband internet service.
9. **Water Infrastructure** – The City may consider Water Infrastructure projects that are already included in the CIP that either need additional funding or could be accelerated by the use of ARPA funds. Water has a significant influence on public health. Water is required for consumption on a daily basis for survival. However, water has much broader influences on health and wellbeing and issues such as the supply and quality of the water supplied are important in determining the community health. It is imperative that we prioritize infrastructure projects, especially after our local community experienced negative impacts of the COVID-19 health pandemic. The need for clean and reliable water to combat the pandemic is clearly established, during the past year as revenues have fallen and the urgency to complete the proposed projects is heightened. Without ARPA funding to augment the current CIP program, this work would be delayed. Other projects

to fulfill regulatory minimum requirements, such as the Sunset Reservoir Replacement have a higher funding priority.

- 10. Sewer Infrastructure** – The City may consider Sewer Infrastructure projects that are already included in the CIP that either need additional funding or could be accelerated by the use of ARPA funds. The CIP includes a sewer system relining project in Northwest Pasadena in the amount of \$1.5 million. This proposal includes the relining of approximately 20,000 linear feet of aged sewer clay pipes located in the Northwest area of the City. This project includes televising, prioritizing, and relining of segments of the sewer system based on condition assessed. Relining of sewer pipes also yields environmental benefits by mitigating undetected underground sewer seepage into the soil and possibly into areas of high groundwater table.

It is important to note that all of the current and future appropriation items are based on the Interim Guidance provided by the U.S. Treasury Department and that guidance is expected to be refined over the coming months. While staff does not expect the guidance to become more restrictive, there has been a strong push by officials at all levels for less restriction, primarily in the areas of debt service and fiscal reserves. The ability to use funds in either of these categories would provide an immediate financial benefit to the City.

#### **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 approval of the proposed current recommendations will provided needed funding to stabilize funding for COVID-19 response and recovery and provide for the rehire of three full-time employees in the Convention and Tourism Bureau.

The General Fund's unappropriated fund balance will increase by \$3,035,000 over FY 2021 and 2022 by the proposed current recommendations.

Respectfully submitted,

  
MATTHEW E. HAWKESWORTH  
Director of Finance

Approved by:

  
STEVE MERMELL  
City Manager

Attachment A - Tourism Recovery Stimulus Plan

Attachment B - Public Health Building Improvement CIP project sheet