

Agenda Report

May 8, 2023

TO: Honorable Mayor and City Council
THROUGH: Finance Committee
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 not a project subject to the California Environmental Quality Act (CEQA) pursuant to Section 21065 of CEQA and Sections 15060(c)(2), 15060(c)(3), and 15378 of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required; and
2. Approve the proposed amendments to the Fiscal Year (FY) 2023 Operating Budget as detailed in the background section of this report.

EXECUTIVE SUMMARY:

The American Rescue Plan Act (ARPA) is a \$1.9 trillion economic stimulus bill signed into law by the President on March 11, 2021. Within the ARPA total allocation, there are \$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 City has committed \$32.3 million of ARPA funds with \$20.3 million remaining as uncommitted. Within the past month, two federal bills have been introduced that include language to claw back any uncommitted funds. Since the City has documented more than \$180 million in revenue loss per the U.S. Treasury's accounting methodology, the City may immediately recognize and expend all remaining ARPA funds under the revenue loss category as part of the FY 2023 Operating Budget.

BACKGROUND:

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 Final Rule guidance released by the U.S. Treasury Department also prohibits making debt service payments or direct 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 period is designed to provide prolonged support and recovery with the understanding that the recovery from COVID-19 will take years. Unfortunately, there are increasing efforts by federal legislators to claw back uncommitted ARPA funds to support other programs (Attachments A and B).

Through the March 31, 2023, reporting period, the City has committed \$32,260,845 and has expended \$15,197,834 of APRA funds. The recommended action is to transfer all currently committed, but unexpended amounts to the revenue loss category and utilize those funds in FY 2023 to support a balanced budget. Additionally, the recommendation includes committing and recognizing the remaining \$20,365,130 as revenue loss and transferring to the General Fund to support the FY 2023 Operating Budget. These funds will support allowable operations under the Treasury's Final Rule to support public safety, housing, and public health among other uses. Any unexpended commitments from the original \$32,260,845 will now be funded by the City's General Fund. To the extent these funds create a surplus at the end of FY 2023, those funds will be recorded as committed or assigned in accordance with Generally Accepted Accounting Principles.

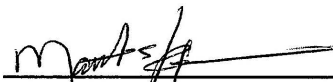
COUNCIL POLICY CONSIDERATION:

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 the COVID-19 pandemic.

FISCAL IMPACT:

The ARPA funds have provided stabilization of funding for the COVID-19 response and recovery efforts, maintaining needed services, and reinvestment in the City's infrastructure. Appropriating funds to stabilize the General Fund from revenue losses, will ensure that this fund remains solvent. Financial plans will continue to be made, to develop balanced budgets into the future.

Respectfully submitted,



MATTHEW E. HAWKESWORTH
Director of Finance

Approved by:



MIGUEL MÁRQUEZ
City Manager

Attachments: (2)

- A – Congressional Record – Senate, April 17, 2023, Senate Amendment 81
- B – 118th Congress H.R. Bill (Arrington) – Division B – Save Taxpayer Dollars