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# CITY OF POMONA COUNCIL REPORT

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September 20, 2021

To: Honorable Mayor and Members of the City Council

From: James Makshanoff, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

**SUBJECT: APPROVAL OF THE CITY OF POMONA'S EXPENDITURE PLAN FOR THE CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY AMERICAN RESCUE PLAN (ARP) FUNDS ALLOCATED FROM THE UNITED STATES FEDERAL GOVERNMENT DEPARTMENT OF TREASURY**

## **RECOMMENDATION:**

It is recommended that the City Council adopt the following resolution:

**RESOLUTION NO. 2021-129– A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POMONA, CALIFORNIA, APPROVING THE CITY OF POMONA'S EXPENDITURE PLAN FOR THE CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY AMERICAN RESCUE PLAN (ARP) FUNDS ALLOCATED FROM THE UNITED STATES FEDERAL GOVERNMENT DEPARTMENT OF TREASURY**

**EXECUTIVE SUMMARY:** In response to the 2019 Novel Coronavirus (COVID-19) public health crisis, the U.S. Congress passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act on March 27, 2020, and the American Rescue Plan (ARP) Act on March 11, 2021. These assistance programs provide needed relief to state, local and Tribal governments to enable them to continue to support the public health response and lay the foundation for a strong and equitable economic recovery. The City was allocated \$45.37M in ARP funds. To date, \$6.8M has been incorporated into the Fiscal Year 2021-22 General Fund budget.

The 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 ARP funds which identify and define the eligible uses of these federal funds. On August 9, 2021 a study session was held and discussion occurred regarding the possible uses that would be eligible. The Mayor and City Council provided direction and suggested a specific plan to allocate the \$45.37M of the ARP funds.

The information contained in this report will provide the proposed plan with descriptions on each topic. In addition to the proposed spending plan, information covered includes specific on the ARP funds spending consideration:

- Qualified Census Tract Data and Eligibility
- Additional Staffing, Administrative and Overhead Costs
- Limit increase of Authorized staffing levels with ARP funds
- ARP Consultants/Specialists
- The Nexus to US Treasury Interim Rules “Guidelines”
- Appropriations and Revenue Estimates

**FISCAL IMPACT:** No request for appropriations or revenue revisions are associated with this recommended action. On June 7, 2021, City Council adopted the FY 2021-22 Operating Budget which contained the use of \$6.8M in ARP funds. As part of the same June 7<sup>th</sup> report, Resolution 2021-74 accepted the \$45.37M of ARP funds allocated to the City of Pomona from the US Treasury. The table put forth in this report is based on feedback from the Mayor and City Council at the August 9, 2021 ARP Study session on how the City Council would like to allocate the \$45.37M of ARP funds. These ARP funds are to be allocated by December 2024 and spent by December 2026. Once a spending plan is approved, appropriation requests will come before the City Council for formal Council action.

**PREVIOUS RELATED ACTIONS:** The previous related actions associated with this item are listed on the August 9, 2021 ARP Study Session Agenda item. On August 9, 2021, the City Council provided feedback and direction to staff on how they would like the \$45.37M ARP funds allocated by December 2024 and spent by December 2026.

**DISCUSSION:** The City was allocated \$45.37M in ARP funds. Half of the allocation in the amount of \$22.7M million was received on May 19, 2021, and the balance is anticipated to be provided in May 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> ARP funds must be obligated by December 31, 2024 and expended by December 31, 2026. ARP recipients are required to meet compliance and reporting responsibilities to ensure an equitable, transparent, and responsible recovery. The ARP 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**

At the August 9, 2021 study session a suggested expenditure plan was discussed and proposed. Questions were asked by the Mayor and City Council on eligible uses for the ARP funds. Andre Monette a partner with Best Best and Krieger (BBK) provided many of the responses consistent with the ARP guidelines to assist the Mayor and City Council in identifying uses that appear to be

an eligible use. The table below captures the programs, projects, and other opportunities that the Mayor and City Council would like the ARP funds spent on.

ARP Proposed Spending Plan	
Program	Amount
General Fund Budget Shortfall	\$12,000,000
Allocation - Mayor	\$1,500,000
Council Allocations @ \$750k per District	\$4,500,000
Universal Basic Income for 250 families w/ children for 3yrs @ \$500/mo	\$4,600,000
Citywide Capital Improvement Program (CIP) Projects	\$15,000,000
Small Business Grants	\$2,000,000
Health and Wellness Activities	\$1,000,000
Technology upgrades, Leadership Development, Operational efficiencies	\$1,000,000
Participatory Budget	\$2,000,000
Remaining Balance/Miscellaneous	\$1,770,000
<b>TOTAL</b>	<b>\$45,370,000</b>

Each item noted in the ARP Proposed Spending plan table is discussed in detail below:

*General Fund Budget Shortfall (\$12M)*

The FY 2021-22 General Fund Budget included \$6.8M of the City's allocated \$45.37M ARP funds to assist with balancing the budget. The justification was that of general fund revenue loss and expenses related to public safety efforts associated with the pandemic in the amount of \$1.6M and \$5.2M, respectively. Using a very conservative estimate based on the U.S. Treasury issued "Interim Rule" at the time, Finance staff calculated revenue loss of \$1.6M in the General Fund. ARP funds in the amount of \$5.2M will be used towards the payroll and benefit expenses for public safety employees to the extent the work is related to the COVID-19 response, including both the costs for Pomona Police Sworn staff and for the Los Angeles County Fire contract. The assumption is that the FY 2022-23 General Fund Budget will also need assistance from the available ARP funds so the guidelines will need to be closely followed next year. The use of ARP funds for assisting the General Fund losses cannot be put into a "rainy day" fund or to build up reserves. If the General Fund doesn't have a shortfall or only needs a portion of the ARP funds, the funds can be allocated back to the ARP fund and be considered for other uses. Finance staff will continue to keep the Mayor and City Council apprised of the General Fund revenue shortfalls each fiscal year to determine the amount of ARP funding that may be considered to maintain services at an adequate level.

*Allocation for Mayor Identified Eligible Projects (\$1.5M)*

This allocation is intended to be used for Capital Improvement Program (CIP) projects as identified by the Mayor. The ARP guidelines must be referred to before an appropriation can be budgeted and the allocations need to tie back to the parameters of the language described in the US Treasury’s Interim Final Rule. These funds could be combined with other CIP-related allocations listed in the expenditure plan. Public Works CIP staff will need to be involved in creating all new CIP projects that could potentially use ARP funds.

*Allocation of \$750k to each of the 6 Council Districts (\$4.5M)*

An identified amount of \$750k would be allocated to each Councilmember intended to be used in their respective District for Capital Improvement Program (CIP) projects as identified by each Councilmember. The ARP guidelines must be referred to before an appropriation can be budgeted and the allocations to tie back to the parameters of the language described in the U.S. Treasury’s Interim Final Rule. These funds could be combined with other CIP-related allocations listed in the expenditure plan. Public Works CIP staff will need to be involved in creating any new CIP projects that could potentially use ARP funds. For any other proposed uses by each councilmember, the respective Department responsible will need to be consulted.

*Universal Basic Income Program (\$4.6M)*

A Universal Basic Income Program is designated as an eligible use of ARP 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 ARP 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. Neighborhood Services Department staff will lead the development and implementation of this allocated program. Operational and staffing costs for this program would either have to come from the proposed allocation or the allocation increased to cover these personnel costs. This is discussed further in the report under the section “*ARP Funds Spending Considerations.*”

*Capital Improvement Program (CIP) Projects (\$15M)*

The ARP guidelines clearly state that funds can be used to make “necessary investments to improve access to clean drinking water, support vital wastewater and storm water infrastructure, and to expand access to broadband internet.” In addition, the FAQs section does address many questions about investing in other forms of CIP projects (streets, roads, facilities, etc.) and specifically to addresses revenue loss from funding sources that would normally fund these type of CIP projects. Thus, other CIP projects besides water, sewer, and broadband could be determined to be eligible as long it is needed to alleviate public health issue and are within the Qualified Census Tract (QCT), or if it benefits residents outside of the QCT. Potential CIP Projects are listed in the table below with the estimated cost. Since the August 9, 2021 study session, the table originally proposed has been updated to reflect the addition of the “Park Restroom Construction and Replacement” Project, and removed the “Pomona Multi-Neighborhood Pedestrian and Bicycle Improvements” project from the list. Public Works CIP staff will be involved in creating all new CIP projects that could potentially use ARP funds as allocated.

Potential CIP Projects	Projected Cost
<b>Park Restroom Construction and Replacement</b> <i>Construction of new and replacement of existing park restrooms</i>	\$2,500,000
<b>Holt Ave. – from Dudley St. to Park Ave.</b> <i>Pavement rehabilitation and any necessary sidewalk, curb and gutter, and corner ramp improvements</i>	\$3,500,000
<b>Holt Ave. – from San Antonio Ave. to East City Limit</b> <i>Pavement rehabilitation and any necessary sidewalk, curb and gutter, and corner ramp improvements</i>	\$3,000,000
<b>Mission Blvd. – from White Ave. to Towne Ave.</b> <i>Pavement rehabilitation and any necessary sidewalk, curb and gutter, and corner ramp improvements</i>	\$2,800,000
<b>Garey Ave. – from Orange Grove Ave. to Monterey Ave.</b> <i>Construct landscaped medians, pavement rehabilitation, and sidewalk/corner ramp improvements</i>	\$3,200,000
<b>Potential CIP Projects Estimated Total Cost</b>	<b>\$15,000,000</b>

#### Small Business Grants(\$2M)

This category is defined as an eligible use because it relates to the negative economic impact of the COVID-19 pandemic. 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, rent, or utilities costs, and other operating costs. Assistance can also come in the form of 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. Technical assistance, counseling, or other services to assist with business planning needs is another eligible use of the ARP funds. Neighborhood Services Department staff will lead the development and implementation of this allocated program. Operational and staffing costs for this program would either have to come from the proposed allocation or the allocation increased to cover these personnel costs. This is discussed further in the report under the section “ARP Funds Spending Considerations.”

#### Health and Wellness Activities (\$1M)

To address the negative economic impacts caused by the public health emergency, including economic harms to households, which would include youth, adults, and seniors, the funds can be used for this effort. This may be in the form of services provided to the youth by the City at community centers or by third party organizations as well as those services or activities offered for senior and family programming. These types of services are eligible as responses to the negative economic or public health impacts to the community. This can be in the form of programs such as concerts, community gathering, and wellness events offered at City Parks and other outdoor venues in the City. Neighborhood Services Department Community Services Programming staff will lead the development and implementation of this program.

#### Technology upgrades, Leadership Development, Operational efficiencies (\$1M)

Efforts made to improve 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 is an eligible expense. This also includes efforts made to implement new technology to provide less physical contact, which in turn may be more efficient in providing a City service. This suggested program may come in the form of a software suite that the City could implement to improve efficiencies and could have positive

impacts on all Departments. The Finance Department will work with all Departments as it relates to this ARP allocation.

#### *Participatory Budgeting (\$2M)*

Participatory budgeting is a process of deliberation and decision-making, in which citizens are included in the process for deciding how to allocate part of a municipal budget. As it relates to incorporating this proposed plan into the ARP expenditure plan, it should be noted that the funds allocated for this budget process could only be used on eligible uses as defined by the ARP guidelines. The funds would only be available to be used in the defined time frame, and must be obligated by December 31, 2024 and expended by December 31, 2026. The Finance Department would need to assist in incorporating this into the annual budget process.

#### *Remaining Balance/Miscellaneous (\$1.77M)*

This item equates to the net funds that are available after the above-mentioned fund designations described above are made.

### **ARP Funds Spending Considerations**

#### *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). Recipients (City of Pomona) may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, recipients 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 Pomona QCT (Attachment No.1) can be referred to when trying to determine if the program location is defined as an eligible use to spend ARP funds.

#### *Additional Staffing, Administrative and Overheads costs*

Funding for the costs for accounting, programming, and implementation of ARP associated programs would be an eligible use for both City staff and contracted staff as new programs are established using ARP funds. With the US Treasury requirements for quality reporting, accounting, and tracking of funds, this use will be especially important as a federal audit will likely occur. In addition, with the implementation of new programs administered by City staff, the need to hire additional City staff during the ARP fund time period may be necessary. Based on the proposed ARP expenditure plan these efforts will include staff support for the Neighborhood Services Department and the Public Works Department (CIP) in particular. With the program proposals described herein current staffing levels would be difficult to rely on to complete these assignments that must be completed no later than December 2026. Another concern will be the availability of contractors specifically those in the construction industry that may be scarce as

many surrounding communities will also be competing for these services to complete similar capital projects using ARP funds. Additional staffing and overhead costs will need to be factored into the respective expenditure items listed in the table. These ARP assignments would be guaranteed only for the hiring term of the ARP projects, however, if additional ongoing funding is made available after 2026, the terms of the jobs could be extended.

#### *Limit increase of Authorized staffing levels with ARP funds*

One of the eligible uses clearly states to support public health expenditures, An example is funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare in the form of assisting public safety employees to the extent the work is for COVID-19 response. This funding can be used for both Pomona Police Sworn staff and for the Los Angeles County Fire contract. It should be noted that using ARP funds to assist the General Fund loss is a strategy that is currently being used to balance the FY 2021-22 General Fund Budget and is proposed to assist the FY 2022-23 budget if necessary. However, to add personnel that would normally be added as authorized General Fund positions (including Sworn Personnel) should be the exception rather the rule. The ARP funds should not be used in these cases as they are one-time grant funds.

#### *ARP Consultants/Specialists*

Other cities are considering using consultants/specialists to assist in initiating their City's ARP program efforts. One nearby example is the City of Long Beach, where they will be hiring an Economic Equity Specialist come onboard to address income inequality by exploring universal basic income. The specialist can be funded by one-time reserves from the General Fund in the amount of \$100k. The City could consider seeking consultants/specialists for any of the ARP programs proposed herein.

#### *The Nexus to US Treasury Interim Rules "Guidelines"*

In approving this ARP expenditure plan it will be important to make sure a clear nexus is clearly made to the parameters and guidelines in the US Treasury Interim Rule are followed. Staff is prepared to assist along with the guidance and advice from the National League of Cities and the City Attorney's office (BBK) as well as resources from the US Treasury to make sure the nexus to use the funds can be made. With that said, there may be some programs and proposal that may be difficult to justify. The City is required to routinely document and report of the City of Pomona's ARP plan to use the funds from now until December 2026.

#### *Appropriations and Revenue Estimates*

Once the ARP expenditure plan is approved, it will be required per City Charter to bring forward to the Mayor and City Council requests for appropriations and/or revenue estimate increases for each ARP program. These actions may come in the form of creating new CIP Projects, creating new programs such as the Universal Basic Income Program, and all others proposed. Some of the appropriation requests may be included as part of the annual Finance Department Reports, such as the 1<sup>st</sup> Quarter Review or Mid-Year City Council reports. It is important to note that \$6.8M has been allocated to the General Fund as part of the FY 2021-22 Budget. That means approximately \$16.48 is available today and another \$22.68 will be available in May 2022. Finance staff will be tracking all ARP funds and will provide updates routinely as funds will need most likely need to be carried over to future fiscal years until the funds are fully spent by December 2026.

## **CONCLUSION**

The City was allocated \$45.37M in ARP funds in March 2021. Half of the allocation in the amount of \$22.7M million was received on May 19, 2021, and the balance will be provided in May 2022. The U.S. Treasury issued an Interim Final Rule with guidance on the funding allocation methodology, distribution process, and reporting requirements. The proposed ARP expenditure plan presented in this report details out a specific plan based on the feedback of the Mayor and City Council at the August 9, 2021 ARP Study Session. Once the plan is approved, staff will begin formulating the specific programs and bring forward actions to appropriate the funds along with the components of the respective programs throughout the fiscal year and beyond that time frame. As covered herein, there are considerations to be aware of including adding City staffing, consultants and contractors that may be needed, being aware that positions hired may be short term assignments that only rely on ARP short term funding and making sure the nexus of the ARP guidelines are met for each program which may include the census tract eligibility. The main factor to keep in mind is if the program uses would meet the criteria for the City of Pomona in responding to the economic and public health impacts of COVID-19 and to assist in efforts to mitigate impacts on communities, residents, and businesses.

**ALTERNATIVE(S):** None.

Prepared by:

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Andrew Mowbray  
Finance Director/City Treasurer

## **ATTACHMENT(S):**

Attachment No. 1 – City of Pomona Qualified Census Tract Map  
Attachment No. 2 – Resolution No. 2021-129