



STAFF REPORT

April 20, 2022
File Number 0430-80

SUBJECT

AMERICAN RESCUE PLAN ACT (ARPA) STATUS UPDATE

DEPARTMENT

Finance

RECOMMENDATION

Request the City Council receive and file an update on the American Rescue Plan Act funds and provide recommendations for the use of unallocated ARPA Funds.

Staff Recommendation: Receive and File (Finance Department: Christina Holmes)

Presenter: Christina Holmes

FISCAL ANALYSIS

The American Rescue Plan Act will provide the City of Escondido ("City") one-time funding of \$38,808,509 to cover expenses in response to the COVID-19 pandemic, make up for lost revenue, and ease the overall economic impact from the pandemic. Funds may only be used for project costs initiated on or after March 3, 2021, and must qualify within one of the eligible expenditure categories detailed below. All funds must be encumbered by December 31, 2024 and fully spent by December 31, 2026.

PREVIOUS ACTION

On April 7, 2021, the City Council received an update on the American Rescue Plan Act and provided preliminary policy comments on the allocation of funds. On September 29, 2021, the City Council adopted Resolution No. 2021-146 and approved a budget adjustment allocating \$22,808,509 based on the initial guidelines established by the Treasury Department. The projects approved included projects that support the public health response, funding to promote and stimulate economic growth and enhance the financial stability of the City, as well as programs that support the nonprofit and local business community.

BACKGROUND

On March 11, 2021, President Joe Biden signed the American Rescue Plan Act of 2021 ("ARPA"), which contains \$1.9 trillion in overall national spending to support COVID relief and economic recovery efforts. ARPA provides a \$350 billion allocation of Coronavirus State & Local Fiscal Recovery Funds ("CSLFRF") to state, local, territorial, and tribal governments. The City of Escondido was categorized as a Metropolitan City within the CSLFRF recipient types and was allocated \$38,808,509 based on a methodology that was



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largely consistent with the Community Development Block Grant (“CDBG”) formula employed by the United States Department of Housing and Urban Development. The City received the first distribution equal to one-half of the total allocation (\$19,904,254.50) in July 2021 and can request the second distribution in an equal amount 12 months after the first distribution, no earlier than July 2022.

The U.S. Department of the Treasury (“Treasury”) is overseeing the CSLFRF program and distribution of funds. The intent of ARPA is to provide resources to support immediate pandemic responses, address its economic fallout, and lay the foundation for a strong and equitable recovery. Based on this foundational premise, Treasury identified four funding objectives:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control;
- Replace lost public sector revenue to strengthen support for vital public services and help retain jobs;
- Support immediate economic stabilization for households and businesses;
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic.

On May 10, 2021, Treasury announced the launch of the program and released “Interim Final Rules” and preliminary guidance on how these funds can be used. The Treasury identified the following five eligible categories of expenditures:

- Support public health expenditures;
- Address negative economic impacts caused by the public health emergency;
- Replace lost public sector revenue;
- Provide premium pay for essential workers;
- Invest in water, sewer, and broadband infrastructure.

To ensure that these funds are used for their intended purposes, the ARPA and Treasury guidelines contain certain restrictions on the use of these funds. Specifically, that the funds cannot be used to make pension payments and funds cannot remain in a reserve fund.

On January 6, 2022, the U.S. Department of the Treasury issued its Final Rule, a 437-page document that implements the ARPA funded Coronavirus State and Local Fiscal Recovery Fund. It replaces the Interim Final Rule which had been in effect since May 10, 2021. The Final Rule reflects the feedback and comments made by State and Local Governments on the Interim Final Rule and has expanded the non-exhaustive list of uses that recipients can use to respond to COVID-19 and its economic impacts.

The most significant change in the Final Rule is in the Revenue Loss category. The final rule offers a standard allowance for revenue loss of \$10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount for government services, with streamlined reporting requirements.



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Based on the initial guidelines, in September 2021 City Council approved a list of projects totaling \$22,808,509 and earmarked funds of \$6,000,000 under the loss revenue category which can be increased to \$10,000,000 according to the January 6, 2022 final rule. The list of projects prioritized were those that would provide long-term benefits to those most impacted by COVID-19. The proposed projects include resources to support the public health response, funding to promote and stimulate economic growth and enhance the financial stability of the City, as well as programs that support the nonprofit and local business community. The recommended projects provide benefits CityWide and make strategic investments in the City's infrastructure to connect the community by improving access to schools, parks, and commerce. The following is a summary of those projects:

Project Description	Project Budget	Comments
Dispatch Center Upgrades	\$600,000	
Ambulance Gurneys	230,000	
ADA Vehicle	75,000	
Technology Upgrades	4,000,000	
Community Non-Profit Grant Program	1,500,000	
Homelessness & Business Improvements	500,000	
Business Façade Improvements Grant Program	153,509	
Economic Development & Tourism Programs	100,000	
Queen Califia Event Space	250,000	<i>Estimated project costs have increased, additional funding may be requested</i>
Economic Revitalization	400,000	
Grand Avenue Streetscape Improvements	5,000,000	
Grape Day Park	5,350,000	<i>Estimated project costs have increased, additional funding may be requested</i>
Citywide Public Access	2,500,000	
Kit Carson Amphitheater	1,000,000	
Citywide Park Improvements	500,000	<i>Estimated project costs have increased, additional funding may be requested</i>
Broadband Infrastructure	150,000	
COVID-19 City Expenses	500,000	<i>Estimated project costs have increased, additional funding may be requested</i>
Earmarked for Revenue Loss Category	6,000,000	
Total Amount Obligated	\$28,808,509	
Total Distribution of Funds	(\$38,808,509)	
Amount Remaining	\$10,000,000	



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The following is an update on the status of these projects:

- **Dispatch Center Upgrades (\$600,000)** – Of the 11 consoles in the dispatch center, four of them are not equipped with police and fire radio equipment. On May 11, 2022, City staff will be requesting that the City Council approve the purchase of the consoles. Once approved, the procurement process will be finalized. Previously, the build-out of these workstations has taken several months to complete; therefore, we are expecting completion of this project before the end of December 2022.
- **Ambulance Gurneys (\$230,000)** – Project funds will replace the City’s current inventory of 15 gurneys. The purchase has been placed; however, the gurneys are backordered with an anticipated delivery date in June 2022.
- **ADA Vehicle (\$75,000)** – Funds were allocated to purchase an ADA vehicle for transporting mobility-limited seniors to the nutrition program. The vehicle has been ordered and the delivery is anticipated in early FY2022/23. Once the vehicle is outfitted and the driver staff position filled, the program will be promoted through the City’s existing nutrition and transportation program.
- **Technology Upgrades (\$4,000,000)** – The COVID-19 pandemic highlighted the vital role that technology plays in our ability to communicate to the public and ensure critical public safety activities continue, and the necessity of providing online self-serve options to enable customers to access City services. Project funds are allocated to provide the necessary technology upgrades to enable the City to continue responding to the pandemic and provide long-term benefits to customers, business, citizens, and City staff. We have procured new hardware to improve our cybersecurity defenses while providing the connectivity, security, and resiliency that the City needs to operate our municipal area network and effectively deliver digital municipal services to our community. Other enterprise technologies are moving forward and are in the process of building RFPs and conducting due diligence.
- **Community Non-Profit Grant Program (\$1,500,000)** – This program will provide funds to nonprofit organizations in the community to adopt safer operating procedures, sustain operations during periods of closure, and mitigate financial hardship resulting from the COVID-19 public health emergency. A contract has been finalized and program planning is underway with the Escondido Community Foundation to create, advertise and manage the non-profit grant program which is anticipated to launch by the end of this fiscal year. Applications will be available online.
- **Homelessness & Business Improvements (\$500,000) & Business Façade Improvements Grant Program (\$153,509)** – Funding will be used to assist business owners with property improvements and/or changes to their property with the goal of managing the surrounding environment through the strategy of Crime Prevention Through Environmental Design (CPTED). The City is finalizing the details for these two grants and will announce the notice of funds availability (NOFA) in May 2022.



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- **Economic Development & Tourism Programs (\$100,000)** – Assistance will be provided to recover from pandemic-related losses and support businesses that have been impacted by the pandemic with future program activities to support marketing, event generation, and promotions. An RFP has been drafted and will be posted this fiscal year to solicit proposals for a social media management company to increase the visibility of Escondido as a tourist destination through influencer campaigns.
- **Queen Calafia Event Space (\$250,000)** – This project will provide funding to perform needed repairs to the sculpture and construct a new rentable event space adjacent to the Queen Calafia Magical Sculpture Garden. Due to the increased cost in building materials, (e.g. 30% increase in the cost of concrete and steel) it is anticipated that additional funding may be needed for this project. The RFP for the design of this project will be released in April 2022 and is expected to take approximately eight months to complete. A cost estimate for construction will be provided with the completed design. If costs exceed the funding available, staff will return to council to request additional funding at that time.
- **Economic Revitalization (\$400,000)** – Project funds will be used to improve the City’s website and marketing efforts to provide a state-of-the-art web experience designed to grow regional visitation to Escondido and to attract businesses to the City. Funding will also be used to expedite and accelerate the City’s and business community’s economic recovery by supporting economic development activities and consultant expenses needed for various redevelopment efforts throughout the City. Business attraction, retention and expansion branding and marketing material has been created with the campaign efforts expected to launch in the first quarter of fiscal year 2022/23.
- **Grand Avenue Streetscape Improvements (\$5,000,000)** – Phase I, funded with a combination of Smart Growth Incentive grant funds and TransNet funds, is currently under construction with completion anticipated by the end of April 2022. ARPA funds have been designated to construct the second phase of this project that completes sidewalk widening between Maple and Juniper and constructs a traffic circle at Broadway. A survey of businesses has been completed to guide design of Phase II. City Council approval for a consulting services agreement for Phase II design is expected to be requested in Summer 2022.
- **Grape Day Park (\$5,350,000)** – This project funds completion of the Grape Day Park Master Plan, a portion of the construction costs for a new Aquatics Center and enhancements to the park to better accommodate events.
 - Master Plan and Aquatics Center: Seven proposals have been received for completion of the Master Plan and design of the Aquatics Center. City Council approval for a consulting services agreement is expected to be requested in May or June 2022. The Master Plan is



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expected to be completed by early 2023 with the Aquatics Center design completed by the end of 2023. Feedback received from prospective consultants during the proposal phase is that the budget for the project may be insufficient to build the desired Aquatics Center. As design progresses, more information will be provided to the City Council on the anticipated costs and funding/phasing options.

- Event Space Additions: To better accommodate events, ARPA funding has been designated to build concrete pads and add electrical outlets along the lyric court, train depot and meandering sidewalk shown in the draft Master Plan. These improvements will be added to the existing Grape Day Park restroom project that is funded with Park Development fees. The restroom project and added event space design will be completed by early 2023 and be ready for bid shortly after completion of the Master Plan.
- **Citywide Public Access (\$2,500,000)** – This project includes replacement of sidewalk in key pedestrian areas and enhancement of the tree canopy. The City has created a new online process to request a tree at <https://www.escondido.org/request-a-free-tree>. In an effort to involve the community, a volunteer (expecting 100 volunteers) tree planting event is being planned for April 30, 2022, Arbor Day, during which 100 trees are expected to be planted along Mission Avenue. In addition, design for over 1,500-feet of sidewalk replacement along key walkshed areas of Ash, Citrus, Lincoln, Midway, Mission, Rose and Valley is underway. Two letters have been sent to residents regarding replacement of trees along their frontage and in response to these letters 50-homeowners have selected replacement trees. Construction of this phase is expected to begin by the end of 2022. A second tree planting volunteer effort is expected in the fall of this year.
- **Kit Carson Amphitheater (\$1,000,000)** – Funds will be used to make improvements to the amphitheater including the seating, restrooms, and stage. The Amphitheater roof replacement is scheduled to begin on May 2nd, and will take approximately 45 days to complete. This project has been slightly delayed due to availability of materials. The additional improvements will be scheduled in the Fall of 2022 to avoid conflicts with summer events at the facility including Patio Playhouse’s Summer Plays in the Park season.
- **Citywide Park Improvements (\$500,000)** – Funds will be used to improve the quality of City parks through capital improvements. Staff have identified the following opportunities:
 - Westside Park Skate Spot – Due to the increased cost in building materials, (e.g. 30% increase in the cost of concrete and steel) it is anticipated that this project will at a minimum require the entire \$500,000 allocation. The RFP for the design of this project will be released in Summer 2022, with completion anticipated for Fall 2023.



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Potential projects that would require additional funding:

- Mountain View Park – City staff received quotes to convert one multi-use tennis court to four dedicated pickle ball courts at Mountain View Park. The quotes came in much higher than expected. Estimated Project Cost: \$70,000
 - Archery Range – A location is still to be determined for an archery range; however, staff has identified Dixon Lake or Ryan Park as a potential archery range site. Estimated Project Cost: \$35,000
 - Ryan Park – Through an existing Capital Improvement Project, two to four lights and potentially a new field will be installed at Ryan Park. ARPA funding would be used to retrofit the lights on the remaining six fields to LED, so that they are consistent with the new lights being installed. Estimated Project Cost: \$675,000
 - Washington Park – The US Soccer Foundation has yet to identify a fiscal sponsor for futsal courts in Washington Park. This project would convert up to two tennis courts at Washington Park to Futsal Courts. Estimated Project Cost \$100,000 ea.
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- **Broadband Infrastructure (\$150,000)** – Funds will be used to prepare a comprehensive study to identify areas that lack broadband, strategies to address those weaknesses, and identify strategies to improve connectivity and digital equity in disadvantaged neighborhoods. The RFP will be released beginning of May 2022.

 - **COVID-19 City Expenses (\$500,000)** – During FY2021/22, the City has incurred approximately \$280,000 of expenses related to the pandemic response and continues to devote resources to respond to the pandemic. Expenditures include personal protective equipment, additional cleaning of municipal parks and facilities, COVID testing of City employees, public communication efforts, and investments in public facilities to meet pandemic operational needs. An additional \$630,000 of eligible expenses have also been incurred for staff-related payroll and leave costs due to COVID-19.

 - **Earmarked for Revenue Loss Category (\$6,000,000)** – Under the Interim Final Rule, Treasury established a methodology that each recipient was required to use to calculate its reduction in revenue. Based on this stringent formula provided by Treasury, the revenue loss to the City was estimated to be \$6 million. To simplify the program, Treasury is now permitting recipients to determine the amount of revenue lost due to the pandemic either according to a formula or by electing to take a standard allowance of up to \$10 million. Treasury presumes that up to \$10 million in revenue has been lost due to the public health emergency. City staff are updating the City's Revenue Loss calculation based on the amended formula requirements in the Final Rule and will return to City Council with a recommendation for this category once finalized.



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Next Steps

On August 24, 2022 after budget approval in June, Staff will return to City Council to give feedback and additional details on any requested direction to research funding programs or capital projects for a council vote. City Council will also be asked to vote to finalize the calculation on revenue recovery options based on the January 7, 2022 Final Rule guidelines. At this same meeting, Staff will provide the City Council with any new updates on approved projects with possible budget adjustments related to inflation costs.

RESOLUTIONS

A.

ORDINANCES

B.

ATTACHMENTS