



CITY OF MILPITAS AGENDA REPORT (AR)

Item Title:	Adopt the Proposed ARPA Investment Framework and Provide Input and Direction to Staff on the Preliminary ARPA Investment Plan
Category:	Leadership and Support Services
Meeting Date:	6/21/2021
Staff Contact:	Ashwini Kantak, Assistant City Manager, 408-586-3053
Recommendation:	<ol style="list-style-type: none">1. Adopt the American Rescue Plan Act (ARPA) Investment Framework including Fiscal Guidelines and Investment Areas2. Provide input to staff on the Proposed Preliminary ARPA Investment Plan and provide direction to bring back a draft ARPA Investment Plan for Council consideration in August 2021

Background:

In March 2020, due to the rampant spread of the Coronavirus (Pandemic), a state of emergency was declared at the local, state, and federal levels and stay-at-home orders issued, which had an enormous impact on the local, State and national economy as well as the City's finances.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA), a \$1.9 trillion stimulus package, to counteract the economic impacts of the pandemic. The bill contains a \$350 billion allocation for state and local government aid. Of that amount, the local portion of the funding is approximately \$130 billion, equally divided between cities and counties. For cities, \$45.5 billion of the \$65 billion will be allocated to metropolitan cities (population over 50,000), such as the City of Milpitas, utilizing a modified CDBG (Community Development Block Grant) formula.

On May 11, staff presented preliminary information on ARPA's Coronavirus State and Local Fiscal Recovery Funding, including the four funding categories and eligible and ineligible uses, and the Interim Final Rule (IFR) issued by the U.S. Treasury Department on May 10. Comments are due on the IFR by July 16, after which the IFR may be revised and finalized. Staff also provided information on other funding through ARPA that could benefit the Milpitas community since the Coronavirus Local Fiscal Recovery Funding (CLFRF) is only a portion of the total ARPA funding. The CLFRF includes four categories: COVID-10 response, revenue replacement, water, sewer, and broadband infrastructure, and premium pay for essential workers.

The City's ARPA allocation of \$16,736,815 is available in two tranches; the first half was received on June 1, and the second half will be provided in June 2022. Funds need to be either expended or encumbered by December 31, 2024, with all funds to be expended by December 31, 2026. The IFR gives recipients flexibility for each government to meet local needs – including government services, support for households, small businesses, impacted industries, essential workers, and the communities hardest hit by the crisis. These funds can also be used to make investments in water, sewer, and broadband infrastructure. The first expenditure report for any City expenditures between June 1 and July 31 is due on August 31 and the first quarterly report is due on October 31. **It is important to note that the Treasury Department does not require agencies to submit a final investment/funding plan and is allowing agencies to adjust funding as needed, as long as funds are expended by the required deadlines.**

At the May 11 meeting and thereafter, staff received Council feedback regarding ARPA Plan spending priorities. There were 39 requests received at the Council meeting and 24 requests received subsequently, thus resulting in a total of 63 requests.

Staff created a matrix of all Council investment priorities and grouped overlapping priorities. A majority of the requests were related to financial assistance and social services to those impacted by the pandemic, economic vitality, infrastructure, public safety, and technology. Although the majority of Council requests have been incorporated into the preliminary proposed Investment Plan, some items have not been included due to one or more of the following reasons:

1. Considered an ineligible use of ARPA funds.
2. Funded through a separate effort.
3. Not aligned with the Proposed ARPA Investment Framework.
4. Requires further policy direction from the Council.

On June 8, staff presented information (See Attachment A) about the ARPA State and Local Fiscal Recovery Funds and proposed an ARPA Investment Framework including ARPA fiscal guidelines and five Investment Areas for Council consideration. The proposed allocation of funding, based on input from the Council and community, was \$2.2 million for community services, \$4.2 million for economic vitality, \$4.1 million plus, for Infrastructure, \$2.2 million for Public Safety, and \$4.1 million for Technology.

Of the four funding categories in the CLFRF, the broadest category for eligible expenditures relates to providing government services up to the calculated revenue replacement amount. Per Finance's initial calculation, using the IFR methodology, the City incurred a revenue loss of approximately \$45 million, which is more than the \$16,736,815 allocation the City will receive during the next 12 months. This funding category allows the maximum flexibility and administrative efficiencies; hence, staff intends to document the use of ARPA funds under the revenue replacement category. Additional instructions on the revenue loss calculation will be issued at a later date, which may further refine the initial calculation.

Analysis:

At the June 8 special Council meeting, the Council engaged in a robust discussion about the proposed Investment Plan and provided feedback to staff. Specific direction was provided to move \$1 million from the Investment Area of Technology and to bring back for Council discussion the allocation of this \$1 million to other Investment Areas. There were Council questions about the level of detail on proposed programs and concerns about all of the allocation not being used if some programs were deemed infeasible in the future. Staff has included additional information in this report in response to these questions and concerns.

It is important to note that the process of allocating and expending ARPA funds will span multiple years. Staff is initially seeking Council approval of the proposed Investment Framework including the fiscal guidelines and the five Investment Areas which guides staff's investment recommendations as well as feedback on the proposed levels of funding. Please note that details for some of the potential programs still need to be worked out, which will be completed over the next few months, guided by Council approval of the overall Investment Plan and the Final Rule from the Treasury Department. For example, providing financial assistance and social services to the community will require substantive work on program parameters and partnerships and that level of work will only be undertaken once the full Council has confirmed interest in providing those services along with a preliminary dollar amount. The new and updated programs may also require prioritization of other workplan items so as to ensure there is adequate staff capacity to complete implementation. As stated above, the funding levels for any investments can be modified in the future to allocate unspent funds in response to changing priorities as long as funds are expended by the federally mandated deadlines.

ARPA Investment Framework

In response to the fiscal crisis caused by the pandemic, the Council authorized the net use of \$7 million in reserves and the defunding of capital projects in the amount of approximately \$6 million. If allowable, staff would have recommended using ARPA funds to replenish reserves consistent with Fiscal Policy #16, which states that, "One-time revenues will be used for one-time expenditures only including capital outlay and reserves." However, since this is not an eligible use of ARPA funds, an allocation of money towards reserves has not been included in the proposed preliminary Investment Plan but staff has included several items that would benefit the General Fund; a reference to this is included in the discussion for those items.

Staff is proposing an ARPA Investment Framework which includes Fiscal Guidelines and Investment Areas. Based on the City's fiscal policies and the National League of Cities and Government Finance Officers Association fiscal considerations, staff is recommending the following **ARPA Investment Plan Fiscal Guidelines**:

1. Identify and promote **other ARPA or State funding sources** to the extent possible before dedicating local ARPA funds.
2. Use one-time ARPA funds for **one-time expenditures** such as investment in infrastructure or technology with minimum ongoing operating costs.
3. **Avoid ongoing General Fund commitments** with additional programs and positions.
4. **Avoid creating a structural budget deficit** if restoring any reduced services.
5. Leverage **regional agencies, non-profit partners, and existing programs** to maximize efficiency in delivering programs and services.

Staff is also recommending the following five **ARPA Investment Areas**:

- | |
|--|
| <ol style="list-style-type: none">1. Community Services2. Economic Vitality3. Infrastructure4. Public Safety5. Technology |
|--|

Proposed Preliminary ARPA Investment Plan

Based on the IFR, the proposed ARPA Investment Framework and the Councilmember requests, staff has developed a preliminary ARPA Investment Plan. It is important to note that the preliminary Plan includes requests from individual Councilmembers, but staff still requires direction from the full Council on certain programs and initiative before spending significant time on developing detailed parameters and implementation plans for each program or initiative.

After Council deliberation, staff intends to return in August with an updated Plan for Council consideration. Since a final Plan is not being required by the Treasury Department, staff will bring periodic updates to the Council and depending on future needs and changing priorities, the Council may choose to adjust investment amounts. As additional details are developed for each of the investments, these will be brought forward for Council consideration, along with appropriation actions.

Staff is recommending a proposed Preliminary ARPA Investment Plan as discussed below. A summary of the Investment Plan is included in Table 1.

Community Services (\$2,200,000)

1. Rental and mortgage assistance to low and moderate income residents.
Several Councilmembers indicated rent and mortgage assistance was a high priority for ARPA investment. The City currently partners with Silicon Valley Independent Living Center (SVILC) to administer the Milpitas Rent Relief Program for low-income residents. Including the CDBG allocation the City Council approved on June 15, 2021, the City has allocated \$869,096 for rent relief since October 2019 from the Affordable Housing Fund and CDBG funding. To date, the Rent Relief Program has provided \$492,556 in funding to assist over 90 families with over 300 Milpitas residents. With the anticipated end of the current eviction moratorium, staff anticipates the need for rent relief in the next fiscal year will be significant. The proposed ARPA allocation of \$1,200,000 is envisioned to expand rent and mortgage relief eligibility to moderate-income residents, based on income limits defined by the California Department of Housing and Community Development (HCD). For 2021 in Santa Clara County, to qualify as moderate income for a household of four, the household income cannot exceed \$181,550, representing 120% of the Area Median Income (AMI). Current rent relief being funded by CDBG provides assistance to households with income up to 80% AMI to meet CDBG requirements. For a household of four in Santa Clara County, the 80% AMI income limit is \$117,750. Please note that the income limits adjust based on household size. For a smaller family, the income threshold will be lower. If Council approves this item, expanding rent relief eligibility to serve households that earn up to 120% AMI and adding mortgage assistance will require some staff time to ensure program management, criteria, and delineation are coordinated with SVILC. A Councilmember also requested including Homeowner Association (HOA) fees, staff needs to do additional research on whether and how this could be incorporated into the program.

The proposed allocation for rental and mortgage assistance is based on recent discussions with the City's nonprofit service providers and the City's experience with rent relief. Staff is recommending continuing to partner with SVILC to create a mortgage relief program based on the City's and residents' experience with SVILC. As stated earlier, creating a new program will require staff time to design program parameters, guidelines, and procedures, and to bring the program to Council for consideration. Thus, this item will proceed after future Council discussion and appropriation action.

2. Social services
There is high interest from the Council and community to provide a variety of social services such as mental health services and services to the LGBTQ plus community and at risk youth as well as victims of domestic violence and abuse. The City would partner with non-profits such as the Bill Wilson Center, Avenidas, Fresh Lifelines for Youth (FLY), Next Door Solutions to Domestic Violence, YWCA, and the Asian Americans for Community Involvement (AACI). Establishing partnerships and executing agreements with non-profits with objectives and performance metrics will require a significant amount of staff time. Staff will bring forward a detailed plan, contracts and appropriation actions as needed.

Supplemental funding in the amount of \$25,000 per year for the senior nutrition program is also recommended in this area. Prior to Covid-19, the senior nutrition program served an average of 80 seniors per day, 250 days per year. Since March 2020 the average number of meals served per day has increased to approximately 125 per day, an increase of 45 meals per day. Additionally, the nutrition program has almost 200 new members. Thus, additional funding is needed to supplement the current budget for this program.

The funding allocated in the FY 2021-22 Adopted Budget provides for 77 meals per day. With the supplemental funding of \$25,000 an additional 18 meals per day could be served bringing the total to 95 meals a day, which is 30 meals a day short of number of meals provided during the pandemic. If demand continues to be high in the future, staff will seek additional funding opportunities. If the

Council supports increased funding for the senior nutrition program, staff will bring forward amendment(s) to contract(s) and related appropriation actions; however, no additional Council discussion is needed.

3. Financial Assistance to Low and Moderate Income Residents

Currently, the Milpitas Assistance Program (MAP) provides financial assistance for utility payments, certain building permits (e.g.: HVAC, water heater) and City run programs such as After the Bell, Senior Center Membership and Swim Lessons to very low and low income residents as defined by the federal government as well as for temporary hardship cases. A Councilmember has also requested staff to look into assistance to non-profits for childcare assistance to families. Expanding eligibility to moderate and potentially including assistance for non-City run programs will require staff time to design the updated program parameters and bring back for Council consideration, thus this item will proceed after future Council discussion and appropriation action.

4. Beautify Milpitas Program

Based on Council direction at the June 1 meeting, the City will provide staffing support and materials for one clean-up day every month and a National Clean-Up day once a year. Annual funding in the amount of \$25,000 for four years totaling \$100,000 will provide for staffing to program the clean-up days and purchase materials for the Beautify Milpitas Litter Kits and Graffiti Kits to be handed out at the clean-up days. The kits are for volunteers to keep and hopefully continue to beautify in and around their individual neighborhoods. Since specific Council direction was already provided on June 1, no additional Council discussion is needed for this item. The annual funding amount will be reflected included in the FY 2021-22 Budget Amendment that will be brought to Council in fall.

5. Pilot Curbside Trash Pick-Up Program

Based on Council direction, staff has been working with MSI, the current refuse collection provider, on potential costs for a modified curbside pick-up of bulky items pilot program. Under the current Bulky Item/On Call Clean-up Program, single-family residential customers are entitled to four bulky item/clean ups per a rolling 12 month period. Residents can either dispose of their unwanted items into two 1.5-cubic yard bags or instead of using the bags, one (1) large/bulky item may be set out for collection. Under the pilot program, residents would be able to set out up to three (3) large/bulky items for collection. The pilot program would utilize the existing bulky item pickup routes and pickups would remain on an appointment basis. According to MSI estimates, a 3-month pilot program would cost the City \$85,000 because the implementation of the pilot requires additional equipment and staff. The pilot program would allow staff to collect data to assess the needs of residents and determine an appropriate service level for large/bulky items for each scheduled pick up. Staff will need to perform outreach to announce start and end dates of the pilot program, evaluate the program through an online survey and return to Council with the results of the pilot to get direction on any changes to the current bulky item/on-call clean-up program. If the current pilot were to be permanently implemented, the ongoing cost for this enhanced service level is approximately \$340,000 which equates to a 1.6% rate increase or about \$5 per year for a single family household. However, this cost may be lower or higher based on the outcome of the pilot.

Economic Vitality (\$4,100,000)

6. Small Business Assistance Program

Based on multiple requests from Councilmembers, staff is recommending providing financial assistance to businesses impacted by the pandemic. Similar to the recent Microenterprise Grant Program where the City provided \$5,000 grants to 38 microenterprises, staff is recommending partnering with Enterprise Foundation, as the Fiscal Agent/Administrator of the Program to provide a total of \$1,200,000. Based on lessons learned from the initial Microenterprise Grant Program, staff will also bring forward simplified eligibility criteria and other parameters including a potential focus on business sectors that have been negatively affected such as daycare centers, for Council consideration in early August. Simplified eligibility criteria could include reducing the number of years that a business has operated, reducing the required net adjusted income for businesses, and allowing home-based

businesses to participate which may result in more businesses being eligible to receive grants. An appropriation action will be brought forward at that time as well.

7. Assistance to Local Hotels

There are currently 20 hotels in Milpitas and the pre-pandemic revenue from the Transit Occupancy Tax was \$14.5 million in Fiscal Year 2018-2019 and made up 12% of the City's General Fund revenue. Through the pandemic, with business travel virtually at zero, Milpitas hotels have suffered a tremendous loss in revenue and workforce, and with the economy now opening up, they need to incur additional costs to make COVID safe improvements. Based on a Councilmember's request, staff is recommending allocating \$100,000 to provide some funding relief to the local hotel sector. Staff has conducted outreach to the hotels to understand specific needs and potential use of the funds and is recommending up to \$5,000 for each hotel to install touchless systems and any other needed improvements to make the hotels COVID-19 safe. If Council approves this item, no further Council discussion is needed, staff will bring back an appropriation action in August.

8. Accessory Dwelling Units (ADU) Program

In order to incentivize the building of ADUs and encourage the legalization of unpermitted ADUs in the City, staff is proposing funding for fee waivers. With an average of \$5,000 in plan review and permit fees per ADU, this funding will allow permit fees for 100 ADUs per year for three years, or 300 ADUs, which is 2.4% of ADUs that could be potentially built in the City. The proposed ARPA funds will reimburse the General Fund for any fees waived. This program is based on a Councilmember request and a total of \$1,500,000 is being recommended since ADUs can provide affordable housing options, foster economic growth through increased construction activity, and result in increased property values. Staff is already working on a similar program for Safe ADU Legalization and could expand it to incorporate permit fee waivers for all previously unpermitted and new ADUs. If Council approves this item with proposed level of funding, staff can initiate the program in summer 2021. Since the proposed amount is based on usage estimates, staff will report back to Council on an annual basis and Council could choose to adjust the funding level, if desired.

9. Main Street Revitalization

On May 11, during the budget study session, the City Council directed staff to move forward with several activities and programs to revitalize and activate Main Street ([Link to May 11 Agenda Report](#)). Staff is recommending \$400,000 for façade improvements and staffing to support this effort. Staff will return with additional details in late summer/early fall, along with an update on preparations for the community events in December 2021.

10. Community Events

Based on requests from Councilmembers, staff is recommending investing \$200,000 in community events over the next two years. The funding could be used to partner with external entities to host events such as an Art and Wine festival, Cultural Celebrations, Art Walk and/or 5k Run. Staff will initiate discussions with potential partners and bring back details on specific events, along with appropriation actions, if needed.

11. Financial Assistance to the Chamber of Commerce

The Milpitas Chamber of Commerce supports Milpitas businesses and has been hard hit with the pandemic and loss of members as businesses have temporarily or permanently closed. The recommended one-time funding amount of \$100,000 will help the Chamber continue to support the business community through initiatives such as job fairs and events. Additional details on specific programs and metrics will be brought forward in August.

12. Workforce Development

The City partners with NovaWorks, NextFlex, Evergreen Valley College, and Milpitas Unified School District on several Workforce Development initiatives. Workforce Development is an integral part of the City's adopted Economic Development Strategy and funding for various programs will help decrease the unemployment rate due the COVID-19 impacts, help businesses rehire staff and prepare residents for future jobs. Based on a request from a Councilmember, funding could support programs for low

income youth as well as expand the City's summer Youth Workforce program to introduce and prepare youth to future career opportunities, build occupational skills and earn supplemental income. At the June 8 meeting staff had recommended \$270,000 in funding; however, there was Council interest to allocate more funding towards this item. Depending on the preliminary level of funding requested by Council, staff will bring back program details along with appropriation actions for Council consideration.

13. Limited term Economic Development Specialist position

Office of Economic Development staff have been working on implementing the Economic Development Strategy in addition to assisting the business community through the pandemic. With the proposed additional programs and initiatives, staff is recommending \$330,000 to add staff resources for a limited term. If Council approves this item staff will move forward with either recruiting for a 2 year limited term Economic Development Specialist position or alternately bring on a contract employee. No additional Council discussion or appropriation action is needed for this item.

Infrastructure (\$4,086,815)

14. Parks Rehabilitation

During the June 15 City Council meeting, the Council reviewed and provided direction to staff regarding the draft Parks and Recreation Master Plan (Plan). During the presentation, staff discussed immediate health and safety improvements needed at 20 parks and the overall condition of the 36 parks.

To address immediate health and safety concerns in 20 parks, the Plan identified a funding need of \$2.1 million (see attachment). Therefore, staff recommends allocating this amount for immediate Health and Safety repairs including replacement of swing sets at Calle Oriente and Sinnott Parks, play equipment and surface repairs at Sunnyhills, Albert Augustine, Cerano, John McDermott, O'Tool Elms, and Starlight Parks, and removal of tree hazards at Dixon Landing, Starlight, and Strickroth Parks.

Per the Plan, the City's park system is in fair condition with 24 parks noted as in good to fair condition, however, 7 parks are in poor and 5 parks in critical condition (see attached draft parks prioritization matrix). The five parks identified being in critical condition are Starlite Park, Sinnott, Strickroth, Foothill and Sandalwood. The seven parks identified being in poor condition are Murphy Park, Ben Rogers Park, Robert E. Browne, Hidden Lake Park, Sunnyhills Albert Augustine Jr. Park, Oliver Jones Memorial and Parc Metro West. The cost for short-term repairs and improvements for the parks in critical condition is estimated at \$2 million and for parks in poor condition at \$1.8 million, respectively. The estimated short-term and long-term cost to repair and improve all 36 City parks including the Sports Center facility is \$7.96 million for short-term repairs to be completed over the next 5 years, and \$81.1 million for longer term improvements that are recommended to be completed over the next 20 years.

With the remaining \$1.56 million of the preliminary allocation for parks infrastructure, staff recommends to fund improvements for the 5 parks identified to be in critical condition in the Plan, which will provide funding for about 80% of improvements necessary. Staff will bring forward a refined prioritization for this investment based on the criteria discussed during the June 15 City Council meeting. The total cost for improvements of these 12 parks over the next 5 years is estimated at \$3.8 million.

Alternatively, instead of investing \$90,000 in short-term repairs for the Sandalwood Park, the City Council could allocate funds to rehabilitate the park. The design for the rehabilitation of Sandalwood Park was recently completed, however the project has been delayed due to lack of funding to start the project's construction phases which is estimated to cost \$2.2 million. A significant project delay may require a review of the design element of the project due to changing standards, changing community expectations and/or cost for material and labor.

Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. Staff requests direction from Council regarding the use of the preliminary ARPA funding allocation.

15. Public Safety Facilities' Improvements

The City's five year Capital Improvement Program includes planned and only partially funded capital projects to rehabilitate Fire Stations 1 and 3. One of the Fire Department's rehabilitation projects is the retrofitting of the majority of apparatuses' vehicle exhaust filtration systems. Updating these systems will improve firefighter health and wellness by removing carcinogen causing particulates from the exhaust. It will also negate the need to install a vehicle exhaust system in the new fire station and eliminate the need to continue to use and maintain the current systems in the other three fire stations. Staff is recommending investing \$250,000 for these needed capital improvements. Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. If Council approves this item, no further Council discussion is needed other than the appropriation of funds and approval of contract.

16. COVID Safe City Facilities' Improvements

Given the time sensitivity of this item, Council approved the recommending funding on June 15, to ensure that City facilities are retrofitted to be COVID safe including HVAC improvements, sanitizer stations, and acrylic shields. Since these costs would typically be covered by the General Fund, this allocation translates to General Fund savings. No additional Council discussion or appropriation action is needed for this item.

Public Safety (\$2,250,000)

17. Funding for 6 Public Safety positions for One Year

Funding in the amount of \$1,200,000, is recommended to fund 2 Police Officers and 4 Firefighter positions that were defunded for one year in the Adopted FY 21-22 Budget. The funding may be used for FY 21-22 if a FEMA waiver for the SAFER grant to maintain a certain sworn Fire position count in Fire suppression is denied or alternatively it could be used to fund the positions in FY 22-23, resulting in future General Fund savings of \$1.2 million. If Council approves this funding, no separate Council action is needed; the funding will be incorporated into the FY 21-22 Budget amendment or the development of the FY 22-23 budget, as applicable.

18. Fire Engine (Pumper)

With Council support, the Fire Department has been able to replace an aging front-line apparatus fleet during the last four years with the replacement of 4 Engines and 1 Truck. To complement this investment and extend the useful life of the equipment, staff is recommending allocating \$800,000 to purchase a Fire Engine (Pumper). The Fire Department currently has three reserve fire engines (pumpers) and one reserve fire truck (aerial ladder). There is a need to replace two of the reserve fire engines (pumpers). These units were originally added to the fleet in 2003 and 2005 and have exceeded their asset life span. Best practice is to have at least two reliable reserve fire pumpers for unit repair / backfill, additional emergency staffing, and mutual aid deployment. The addition of this new fire pumper will substantially improve the reliability of the reserve fleet allowing the reduction of the reserve fleet from three to two reserve fire pumpers. Further, by adding a new pumper to the fleet, the most utilized pumper will be placed in the Reserve Fleet thereby extending the useful life of the existing front-line apparatus fleet. Since these costs would typically be covered, at least partially, by the General Fund, this allocation translates to future General Fund savings. If Council approves this funding, no separate Council discussion is needed, except for the purchase approval and related appropriation action for the Pumper.

19. Emergency Management Planning Documents

On November 17, 2020 Council accepted the Emergency Management Program Assessment and Implementation Plan (Plan), which included over 100 recommendations. As discussed in the related staff report, with funding support, staff will be able to implement the recommendations in a shorter timeframe. Since the acceptance of the Plan, staff focused on the most critical recommendations which focus on finalizing the Emergency Operations Plan (EOP). The EOP, which is the overarching emergency management document, is scheduled for Council approval in August 2021. With the allocation of \$200,000, staff will be able to work with consultants, temporary staff and internal staff to

develop the necessary EOP annexes, training plan development and implementation, and EOC configuration, process and procedure gap analysis. Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. If Council approves this item, no further Council action is needed other than the appropriation of funds and approval of contracts, if applicable.

20. Virtual Reality Simulator Training Equipment

Staff is recommending allocating \$50,000 for the purchase of a virtual reality simulator to improve training in police officer decision making and tactics. Virtual reality allows for realistic and immersive training that provides a 3-dimensional, 360-degree field of view designed to put officers in real-to-life situations and believable ways to form visceral reactions to certain situations. Virtual reality training has a variety of applications from use-of-force, de-escalation, active shooter, to person-in-crisis response. Depending on the officers' actions, the instructor can branch the scenarios to escalate or de-escalate the situation, then review their decision-making skills to ensure proper tactics are used from any angle during after-action review. These virtual environments and ambient features increase the officers' psychological immersion and focus when dealing with the situation at hand. By increasing the immersions, the officers' mental recall is heightened, thus enhancing their overall training experience. Virtual reality training will allow the Police Department to provide training in high-stakes scenarios improving decision making and improving community and officer safety. If Council approves this item, no further Council action is needed other than the appropriation of funds.

Technology (\$3,100,000)

21. Human Resources Information System/Financial Management System

The City is a service organization, with the majority of its budget going towards personnel costs. However, it currently does not have an HR Information System (HRIS) to manage its most critical asset, its employees. Furthermore, the City's financial management system is also 24 years old (implemented in 1997) and needs to be evaluated for potential modernization, process improvement and efficiencies. Thus, staff had recommended \$3,000,000 towards a new HRIS/financial management system, however, based on Council direction on June 1, the recommendation has been modified to \$2,000,000. Staff is proposing to complete a business process mapping analysis and a functional needs assessment in FY 21-22 and issuing a Request for Proposals. Since most enterprise systems have now moved from on premise hardware to software as a service (SaaS) models, reducing the funding by \$1,000,000 will result in fewer years of funding for this system. Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. Staff anticipates bringing forward recommendations and appropriation actions for Council consideration in FY 21-22 and FY 22-23.

22. Cybersecurity Improvements and Training

Cybersecurity is a high priority item given the multitude of recent ransomware attacks on public and private organizations. The City has been investing in systems to prevent cyberattacks and also to provide disaster recovery and business continuity support. It is also important to provide regular employee trainings so as to protect against phishing and malwares. Staff is recommending an additional \$300,000 for maintaining current cybersecurity systems to reduce the number of possible attack vectors, building a robust system that can rapidly restore business to normal and to provide regular employee trainings on cybersecurity. Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. If Council approves this item, no further Council action is needed other than the appropriation of funds.

23. Technology Improvements

With a paradigm shift in the way we have been delivering services to the community during the pandemic, staff envisions the City will continue to provide both in-person and virtual services in a hybrid format. This will require technology investments into the Council Chambers and other meeting spaces in order to conduct hybrid public meetings and a hybrid work environment. Staff is recommending investing \$800,000 towards technology improvements, with \$400,000 to be allocated in FY 21-22.

Since these costs would typically be covered by the General Fund, this allocation translates to future General Fund savings. If Council approves this item, no additional Council discussion is needed.

Of the 23 programs and initiatives, 11 items require a significant amount of additional staff work while 12 items can proceed soon after Council approval. The 11 items will be brought back to Council with additional detail and related appropriation actions. After reviewing the program details and anticipated outcomes if Council determines that the level of funding needs to be increased or decreased, the Investment Plan can be modified accordingly as long as all funds are able to be expended by the required deadlines.

Staff has grouped the 23 items based on level of work and the need for additional Council discussion.

Group 1:

Items that can be incorporated into existing programs and staff workplans and do not need future Council discussion; funding can be reflected in FY 21-22 budget amendment or incorporated in the development of future budgets, as appropriate.

Beautify Milpitas program	Funding for 6 Public Safety positions for one year
Assistance to Local Hotels	Fire Engine (Pumper)
Accessory Dwelling Unit (ADU) program	Emergency Management Planning Documents
Limited Term Economic Development Specialist	Virtual Reality Simulator Training Equipment
COVID Safe City Facility Improvements	Cybersecurity Improvements and Trainings
Public Safety Facilities' Improvements	Technology Infrastructure

Group 2:

Items that will need additional staff work, future Council discussion and appropriation actions, and potential prioritization of other planned workplan items.

Rental and Mortgage Assistance for Low and Moderate Income Residents	Community Events
Social Services	Financial Assistance to the Chamber of Commerce
Financial Assistance to Low and Moderate Income Residents	Workforce Development
Pilot Curbside Trash Pick-up program	Parks Rehabilitation
Small Business Assistance program	HRIS/Financial Management system
Main Street Revitalization	

TABLE 1: SUMMARY OF PROPOSED ARPA INVESTMENT PLAN

No.	Program/Activity	Proposed Funding	FY 21-22 Funding	Estimated Time
Community Services				
1.	Rent relief and mortgage assistance to low and moderate income residents – related to pandemic	\$1,200,000	\$600,000	2 years
2.	Social services – mental health services, services for domestic violence and abuse victims and LGBTQ plus community, senior nutrition program	\$500,000	\$125,000	3 years
3.	Financial assistance to low and moderate income residents for utility payments, recreation classes, and digital access	\$300,000	\$100,000	3 years
4.	Beautify Milpitas program	\$100,000	\$25,000	4 years
5.	Pilot curbside trash pickup program	\$100,000	\$100,000	1 year
	Subtotal	\$2,200,000	\$950,000	
Economic Vitality				
6.	Small business assistance – related to pandemic	\$1,200,000	\$600,000	2 years
7.	Assistance to hotels	\$100,000	\$100,000	1 year
8.	Accessory Dwelling Unit program	\$1,500,000	\$500,000	3 years
9.	Main Street Revitalization	\$400,000	\$200,000	2 years
10.	Community events	\$200,000	\$100,000	2 years
11.	Financial assistance to the Chamber of Commerce	\$100,000	\$100,000	1 year
12.	Workforce development	\$300,000	\$100,000	3 years
13.	Limited term Economic Development Specialist position	\$330,000	\$165,000	2 years
	Subtotal	\$4,100,000	\$1,865,000	
Infrastructure				
14.	Parks Rehabilitation	\$3,461,815	\$2,000,000	4 years
15.	Public Safety Facilities' Rehabilitation	\$250,000	-	1 year (FY 22-23)
16.	COVID Safe City Facilities Improvements	\$375,000	\$375,000	1 year
	Subtotal	\$4,086,815	\$2,375,000	
Public Safety				
17.	Public Safety staffing (funding for 2 Police and 4 Fire positions for one year)	\$1,200,000	\$1,200,000	1 year
18.	Fire Pumper	\$800,000	\$800,000	1 year
19.	Implementation of High Priority Emergency Management Program Assessment Study	\$200,000	\$100,000	2 years
20.	Virtual Reality Simulator Training Equipment	\$50,000	\$50,000	1 year
	Subtotal	\$2,250,000	\$2,150,000	
Technology				
21.	Human Resources/Financial Management system	\$2,000,000	\$100,000	4 years
22.	Cybersecurity programs and training	\$300,000	\$100,000	4 years
23.	Technology infrastructure	\$800,000	\$400,000	4 years
	Subtotal	\$3,100,000	\$600,000	
	To be Allocated	\$1,000,000	TBD	
	Grand Total	\$16,736,815	\$7,940,000	

Reporting Requirements

Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. Recipients will be required to submit an interim report, quarterly project and expenditure reports, and annual recovery plan performance reports (for communities with population over 250,000) regarding their utilization of Coronavirus State and Local Fiscal Recovery Funds. All entities receiving CSFRF and LSFRF funding will be required to submit an interim report of their expenditures from date of award through July 31 by August 31, 2021 with the first quarterly report due by October 31, 2021. Additional detailed guidance and instructions on the reporting requirements will be issued at a later date.

Reporting requirements for each funding category are different. As stated earlier, the guidance to date appears to provide the most flexibility and streamlined reporting process for the Revenue Replacement funding category. Thus, staff is recommending aligning the investment areas with this funding category for reporting purposes.

Audit/Reporting		
Report Type	Due Date	Who Submits
Interim Report - recipient's expenditures by category at summary level from date of award to July 31, 2021; additionally states and territories to provide info on distribution to NEUs	Aug. 31, 2021	States, territories, metro cities, counties, Tribal governments
Quarterly Report –financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds; first quarterly report will cover the two quarters from date of award to Sept. 30, 2021, subsequent reports will only cover one calendar quarter	First quarterly report due Oct. 31, 2021 Subsequent quarterly reports due within 30 days after calendar quarter end	States, territories, metro cities, counties, Tribal governments
Annual Project and Expenditure Reports - First annual report will cover activity from the date of award to Sept. 30, 2021	First annual report due Oct. 31, 2021 Subsequent reports due Oct. 31 each year	NEUs
Annual Recovery Plan Performance Report – First report will cover period from the date of award to July 31, 2021, subsequent reports will cover 12-mo period with the second report covering from July 1, 2021 – June 30, 2022	First performance report due Aug. 31, 2021. Subsequent reports due within 30 days after the end of 12-mo. period, e.g. by July 31, 2022	States, territories, metro cities, and counties with population over 250,000

Key Compliance Considerations

Procurement and Contract Requirements will be governed by the “Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards” in accordance with the Code of Federal Regulation [2 CFR Part 200](#). This regulation will also stipulate the financial reporting and audit requires for the federal awards. These comprehensive and strict requirements will need Staff resources to ensure compliance for each ARPA program/activity. Moreover, while the comment period on the Interim Final Rule closes on July 16, there is no deadline for the Federal government to issue the Final Rule. To that end, eligible use(s) are subject to change.

Next Steps

Based on Council direction staff will bring back an updated Investment Plan in August. Since the proposed FY 2021-22 budget does not include the use of any ARPA funds, once Council has approved a plan for ARPA funds, a budget amendment will be brought forward for Council approval. Staff will also bring back separate discussion items and appropriation actions, as needed, for Council consideration.

Policy Alternative:

Not applicable

Fiscal Impact:

The ARPA allocation to the City is in the amount of \$16,736,815. \$8,368,407.50 has been received on June 1, 2021 and \$ \$8,368,407.50 is scheduled to be received in June FY 21-22. As the Federal Final Ruling on the ARPA Coronavirus State and Local Fiscal Recovery Funding is pending, staff does not recommend full appropriation of ARPA funding. Instead, prior to ARPA programs / activities being initiated, staff will request Council ARPA funding appropriation, either through separate actions or through the budget process.

California Environmental Quality Act:

This item is not a Project under CEQA in accordance with CEQA Guidelines Section 15061(b)(3) (Common Sense Exemption) as it can be seen with certainty that a general discussion of funding priorities by the City Council will not have a significant effect on the environment. Further, the item is also not a Project pursuant to CEQA Guidelines Section 15378(b)(4) as it is a government fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. Although the use of funding will be discussed for various potential projects, any project scope and potential environmental analysis would be speculative to analyze at this time and future environmental analysis will be conducted for the various potential projects prior to the City making any commitment or approval of any project.

Recommendation:

1. Adopt the American Rescue Plan Act (ARPA) Investment Framework including Fiscal Guidelines and Investment Areas
2. Provide input to staff on the Proposed Preliminary ARPA Investment Plan and provide direction to bring back a draft ARPA Investment Plan for Council consideration in August 2021

Attachments:

Attachment A – June 8 Agenda Report

Attachment B – List of Parks

Attachment C – Proposed Timeline