



CITY OF SALINAS FINANCE COMMITTEE

DATE: **JULY 23, 2024**

DEPARTMENT: **FINANCE**

FROM: **RENE MENDEZ, CITY MANAGER**

BY: **JIM PIA, ASSISTANT CITY MANAGER**
SELINA ANDREWS, ACTING FINANCE DIRECTOR
ABE PEDROZA, SENIOR FINANCE MANAGEMENT ANALYST

TITLE: **AMERICAN RESCUE PLAN ACT (ARPA) PROJECTS UPDATE**

RECOMMENDATION:

No motion is required for this item. Staff would like to discuss and receive input from the Finance Committee.

EXECUTIVE SUMMARY:

City Council allocated appropriations to nineteen (19) eligible projects through the use of American Rescue Plan Act (ARPA) funding. The projects were consistent with the intent of the Act and in alignment with previous Council guidance. In addition, Council considered the multiple needs of the Salinas community in terms of equitable continuation of City services, infrastructure, investments in water and sewer, and homeless support services. At this time, staff would like to update the Finance Committee on the status of ARPA projects and recommend reallocation of \$2.7 million between projects within the same department.

BACKGROUND:

On March 11, 2021, President Biden signed the American Rescue Plan Act, which provided the City with \$51,567,313 in relief funds. These additional resources have provided critical community and economic recovery support.

ARPA requires that local governments obligate all ARPA funds (e.g., encumber funding through the issuance of contracts/purchase orders) by December 31, 2024, and to expend all ARPA funds by December 31, 2026. Due to this timeline, a number of the community and economic recovery workstreams were anticipated to be spent over a multi-year period. Of the \$51.6 million initially received ARPA funding, a remaining amount of \$27.5 million is included in the FY 2024-25 Budget. While the City has made considerable progress in this effort, a total of \$14,597,374.12

remain unencumbered as of June 30, 2024 (based on expenditures at July 3, 2024). A summary of ARPA Fund expenditures per project is included on the attachment to this staff report.

Over the last few weeks, Staff has developed timelines for all projects and has determined that the reallocation of funding for certain projects is necessary to meet program needs while adhering to the December 31, 2024, encumbrance deadline. The proposed ARPA Fund reallocations are described in detail below.

Community Development

Housing Production funds have been used to acquire El Rey Motel (443 W. Market), 34 and 37 Soledad Street, and 403 E. Romie Lane, and to provide funding for pre-development costs (\$500,000) for Eden Housing's 855 E. Laurel affordable housing project. Other proposed housing projects, including pre-development assistance for Division Street properties and 467 E. Market, will not be ready to encumber funds by the November deadline. The three shelters include contracts for operations, security, and maintenance/facility expenses. Encampment Resolution Fund grants awarded to the City have been used to cover operational costs for the EMP resulting in an unencumbered balance of \$993,275.44.

To meet the internal encumbrance deadline, staff recommends reallocating all unencumbered balances totaling \$1,938,260.63 to SHARE Center Operations because it is not anticipated that these funds will be spent and/or encumbered by the deadline. The City entered a Memorandum of Understanding with the County to establish equal (50/50) financial support of SHARE operations and maintenance. County staff recently brought forward that the City has not paid its full 50% share over the past three years. City and County staff are working together to document the exact amount the City is in arrears. It is anticipated that the City will need to pay more than 50% of SHARE Center costs in FY 24-25, which is more than the \$1.125 million that was approved in the FY 24-25 budget. The \$1.9 million dollars will be encumbered to cover the total amount of the SHARE Center operation agreement for professional services with Community Human Services¹. If this reallocation of ARPA funding is approved by City Council, a contract amendment would be brought to City Council for consideration. Below is the proposed reallocation.

Project No.	Project Description	Project Budget	Reallocation “Up to” Amount	% Increase / Decrease
3220	Housing & Community Development (SHARE)	1,000,000	1,938,261	193.8%
8161	Chinatown Navigation Center	1,000,000	(12,414)	-1.2%
8162	Salinas Homeless Motel Program	3,000,000	(993,275)	-33.1%
9021	Housing Production Fund	7,000,000	(932,571)	-13.3%

¹ Staff is working with the County on this and expects to have more information at the meeting.

Public Works

The Lake Street Pump Station is the City's largest pump station collecting sewer from over 4,100 acres of residential, commercial, industrial, and school facilities. The pump station was constructed in 1967 and has 3 - 2,800 gpm pumps. After almost 60 years, the controller was replaced in March 2024 following a spill in the spring of 2022, which resulted a discharge into the Natividad Creek and a compliance order served from the Regional Board (R3-2023-0041). This aging facility requires extensive service and currently requires 24-7 attention from maintenance staff to keep it operational.

The Santa Rita Pump Station is the second largest pump station collecting sewer from approximately 348 acres of residential, commercial and school facilities, including a portion of Bolsa Knolls. The facility also dates back approximately 60 years and needs repair.

Staff received a proposal for the most urgent repairs at the pump stations including new pumps, pipe supports and a monitoring system at Lake Street pump station and a new bypass at Santa Rita pump station, totaling \$835,125 and \$234,652, respectively. Repair of these pump stations is crucial to allow the Future Growth Area to move forward successfully as additional sewer flows would be served by these facilities. Below is the proposed reallocation.

Project No.	Project Description	Project Budget	Reallocation “Up to” Amount	% Increase / Decrease
8190	Sewer System Work (bids open 7/8)	4,620,000	436,711	9.5%
8192	Stormwater Green Infrastructure	3,000,000	(230,678)	-7.7%
9086	Natividad Creek Silt Removal	545,000	(144,172)	-26.5%
9727	Gabilan Creek Silt Removal	500,000	(61,861)	-12.4%

Library and Community Services

As of June 2024, the Closter Park Renovation Project had an anticipated construction gap of just under \$1.7 million. On June 18, 2024, the City Council authorized the transfer of \$1 million from Park Irrigation Upgrades to Playground & Closter Park Improvements, which reduced the gap to approximately \$700,000. In order to reduce that gap even further, staff is recommending transferring additional funding from Park Irrigation Upgrades and Firehouse Recreation Center to Playground & Closter Park Improvements. Given staff's increased capacity and working knowledge of irrigation systems, no additional funding is needed in the Park Irrigation Updates project. The design phase of the Firehouse Recreation Center ADA Restroom project is complete, and we have sufficient funding for construction therefore no additional funding is needed. Below is the proposed reallocation.

Project No.	Project Description	Project Budget	Reallocation “Up to” Amount	% Increase / Decrease
8171	Playground & Closter Park Improvements (bids open 8/5)	3,000,000	277,875	9.3%
8191	Park Irrigation Updates	1,000,000	(220,812)	-22.1%
9311	Firehouse Rec Center	100,000	(57,063)	-57.1%

ARPA Projects not recommended for reallocation at this time:

The table below identifies two (2) completed ARPA projects. Staff is working diligently to encumber the remaining funds for those projects identified with remaining budget.

Dept.	Project No.	Project Description	Project Budget	Remaining Budget	% Remaining to Encumber
CD	9181	Downtown Streets Team	600,000	142,608	24%
Fire	9235	Fire Station Renovations	1,500,000	1,085,679	72%
Fire	9541	Fire Stations Repairs	1,400,000	1,310,513	94%
PW	8170	Adaptations to City Hall & Facility HVAC	7,002,313	292,911	4%
PW	8180	Street Repair / Traffic Safety	6,000,000	652,904	11%
PW	9293	Storm Water Master Plan Update	800,000	0.00	0%
PW	9720	Sidewalk & Drainage Improvements	6,000,000	775,739	13%
LCS	9165	Hebbron Family Center Improvements	3,500,000	0.00	0%

CEQA CONSIDERATION:

Not a Project. The City of Salinas has determined the proposed action is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378).

STRATEGIC PLAN INITIATIVE:

The projects and programs funded by the Salinas Recovery Plan under the American Rescue Plan Act (ARPA) of 2021 achieves the Council 2022-2025 Strategic Goals of Housing/Affordable Housing, Infrastructure and Environmental Sustainability, Public Safety, Youth and Seniors, and Effective and Culturally Responsive Government.

DEPARTMENTAL COORDINATION:

This staff report has been coordinated with the City Manager's Office, Finance Department, Community Development, Fire, Public Works, and Library & Community Services.

FISCAL AND SUSTAINABILITY IMPACT:

American Rescue Plan Act (ARPA) funding allows the City to move forward with several important projects and programs with no impact on the City's General Funds.

ATTACHMENTS:

1. ARPA Fund Budget Performance Report as of June 30, 2024