



## **CITY OF SALINAS COUNCIL STAFF REPORT**

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**DATE:** AUGUST 24, 2021

**DEPARTMENT:** ADMINISTRATION

**FROM:** STEVEN S. CARRIGAN, CITY MANAGER

**BY:** MARK ROBERTS, FINANCE DIRECTOR  
JIM PIA, ASSISTANT CITY MANAGER

**TITLE:** THE AMERICAN RESCUE PLAN ACT OF 2021

### RECOMMENDED MOTION:

This is a motion recommending the adoption of the attached Resolution on the funding received under the American Rescue Plan Act (ARPA) of 2021.

### RECOMMENDATION:

Staff recommends that the City Council approve the attached Resolution accepting all American Rescue Plan Act funds, including under the “revenue loss” category, and applying the funds to the government services identified, which are NEEDS, not wants, under the Salinas recovery plan.

### DISCUSSION:

On Tuesday, March 17, 2020, the City of Salinas declared a local emergency in efforts to limit the impacts and exposure of the COVID-19 Pandemic. Since that time, the City’s top priority has been to mitigate the risks to our residents’ health and safety during the pandemic. Additionally, the City has worked with our Small businesses to offer support services that have focused on connecting businesses and entrepreneurs to COVID – 19 response and recovery resources.

The City has also worked with our unsheltered community members regarding issues of sanitation, waste, and garbage clean-up. Problems stemming from the COVID – 19 Pandemic have only been exasperated for our unsheltered and those in encampments.

### The American Rescue Plan Act:

On March 11, 2021, President Biden signed the American Rescue Plan Act, which will provide the City with \$51,567,313 in relief funds. The City has received the first half of these funds, with the second half coming in May/June 2022. Although the legislation provides broad guidance

related to the eligible use of the funds, guidance and restrictions from the U.S. Treasury are very important. The information below shows the general language used in the Senate-approved version of the legislation.

1. Respond to or mitigate the public health emergency with respect to COVID-19 or its negative economic impacts.
2. Cover costs incurred as a result of the public health emergency.
3. Replace revenue that was lost, delayed, or decreased (as determined based on revenue projections for the metropolitan city, non-entitlement unit of local government, or county as of Jan. 27, 2020) as a result of the pandemic.
4. Address the negative economic impacts of the pandemic.
5. Make necessary investments in water, sewer, or broadband infrastructure.

Considering the U.S. Treasury guidelines, and in keeping with necessary best practices in the City's spending, staff has been thoroughly reviewing all options and have identified the following four government service expenditure areas, (or "buckets") :

1. **Public Facilities: (\$22.5 million)** According to Treasury guidelines, Capital investments in public facilities to meet pandemic operational needs are eligible, including public building adaptations to implement COVID-19 mitigation. Staff has identified this expenditure area with approximately \$22.5 million in spending, including: (All approximate)
  - a. Adaptations to Salinas City Hall, \$10 million
  - b. Hebborn Family Center, \$8.5 million
  - c. Fire Stations, and other City Facilities, \$4 million
2. **Public Infrastructure: (\$6 million)** Staff wanted to identify all vital City expenditure areas, even those that may not technically be addressed through ARPA allowable expenses. The Treasury Department gives recipients broad latitude to use funds for the provision of government services to the extent of the reduction in revenue. As a result, staff has identified this expenditure area at approximately \$6 million, as follows:
  - a. Sidewalk repairs, \$4 million
  - b. Street repair / Traffic safety, \$2 million
3. **Investments in Water and Sewer: (\$15.465 million)** ARPA fund recipients may use

Coronavirus State and Local Fiscal Recovery Funds to make necessary investments in water and sewer. Staff has identified this expenditure area at approximately \$ 15.465 million, as follows:

- a. Sewer System Work, \$4,620,000
- b. Gabilan Creek Silt removal, \$ 500,000
- c. Natividad Creek Silt Removal, \$1,545,000
- d. Storm Water Master Plan, \$ 800,000
- e. Park Irrigation Upgrades \$5 million
- f. Stormwater Green Infrastructure \$3 million

4. **Homelessness: (\$7.6 million)**

- a. Chinatown Navigation Center Operations, \$1 million
- b. SHARE Center Operations, \$1 million
- c. Encampment Cleanups \$2 million
- d. Downtown Streets Team \$ 600,000
- e. Salinas Homeless Motel Program \$3 million

Following the presentation to the Finance Committee on August 2, staff received some limited input at this meeting, relating to augmenting youth violence prevention programs, new park playground structures and affordable housing. Although no specifics were noted at the meeting, staff maintains the current, long-vetted list of government service funding priorities of ARPA. These are NEEDS of Salinas and are presented to Council this evening. Staff stands ready to work with all to deliver this timely and appropriate ARPA plan for our Salinas recovery. All funds received through ARPA must be used to cover “costs incurred” by December 31, 2024 and, must be expended no later than December 31, 2026.

City staff continues to review Treasury Department releases, with often updated program information and guidelines.

**CEQA CONSIDERATION:**

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

**FISCAL AND SUSTAINABILITY IMPACT:**

ARPA funding represents vital, ONE-TIME funding for Salinas. Once the City Council approves the ARPA Salinas plan recovery money, the projects will be implemented as additions to future Fiscal Year budgets, including the current FY 21-22. The City’s Finance Department will take on the Reporting Guidance requirements mandated by the U.S. Department of the Treasury.

ATTACHMENTS:

Resolution

Interim Final Rule, Department of the Treasury

PowerPoint on the American Rescue Plan Act

Reporting Guidance, U.S. Department of the Treasury

RESOLUTION NO. \_\_\_\_\_ (N.C.S.)

RESOLUTION OF THE SALINAS CITY COUNCIL ACKNOWLEDGING RECEIPT OF THE FIRST INSTALLMENT OF THE AMERICAN RESCUE PLAN ACT FUNDS, APPROVING THE FOUR GOVERNMENT SERVICE EXPENDITURE AREAS, INCLUDING APPROXIMATELY \$20 MILLION IN “REVENUE LOSS” AND AUTHORIZING STAFF TO PROCEED WITH THE NEEDS OF THE SALINAS RECOVERY PLAN

WHEREAS, the City of Salinas will receive a total of \$51,567,313, in American Rescue Plan Act (ARPA) funding, in two payments; and

WHEREAS, the City of Salinas has received the first payment of \$25,783,656.50, with the second payment arriving in May or June 2022; and

WHEREAS, approximately \$20 million, subject to further review and analysis, is received as a “revenue loss” resulting from the ongoing COVID – 19 Pandemic effect on Salinas revenue; and

WHEREAS, ARPA funds must be obligated by the City Council by December 31, 2024, and expended by December 31, 2026, with ongoing Finance Department reporting requirements; and

WHEREAS, Staff met with the Finance Committee on August 2, 2021, to discuss the ARPA funds and recommendations to the City Council; and

WHEREAS, the City Council has reviewed Government Service categories that qualify for receipt of this money and upcoming expenditures in the areas of Public Facilities, Public Infrastructure, Investments in Water and Sewer, and Homelessness, all as described in the August 24<sup>th</sup> Staff Report to Council; and

WHEREAS, the City Council has determined that Salinas Recovery spending is in response to the economic and public health impacts of COVID – 19, as established by the Coronavirus State and Local Fiscal Recovery Funds program and will assist efforts to mitigate impacts on our Salinas community, residents, and businesses.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF SALINAS that after analyzing the rules and provisions of the ARPA guidelines, and category expenditure areas discussed with Staff, the Salinas Recovery Plan under the American Rescue Plan Act is hereby approved.

PASSED AND ADOPTED this 24<sup>th</sup> day of August 2021, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Kimbley Craig, Mayor

ATTEST:

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Patricia Barajas, City Clerk