



DATE: November 19, 2024

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT: American Rescue Plan Act (ARPA) Analysis and Review

RECOMMENDATION

That Council receive an update on the status of American Rescue Plan Act (ARPA) funded projects and consider the proposed recommendations for the reallocation of unobligated and/or unspent ARPA funds.

SUMMARY

On March 11, 2021, the federal stimulus package, the American Rescue Plan Act (ARPA), was signed into law, providing \$1.9 trillion in economic stimulus to address impacts due to the COVID-19 crisis. Specifically, federal relief provided over \$65 billion in direct funding to cities to address the economic and fiscal impacts of the pandemic and to assist in the recovery of local communities. The City of Hayward was awarded an allocation of \$38.4 million in ARPA dollars.

This report provides an update on the status of ARPA funded projects that were approved by Council on July 13, 2021, as part of the Federal Stimulus Expenditure Plan. To meet funding requirements, all ARPA funding must be obligated by December 31, 2024, and fully expended by December 31, 2026. For Council's consideration and feedback, staff recommend reallocating unobligated and unspent ARPA funds to the General Fund to account for lost revenue due to the impacts of the pandemic.

BACKGROUND

The City of Hayward was awarded an allocation of approximately \$38.4 million in relief funds from the federal government to address the internal and external needs of the organization and Hayward community associated with the pandemic.

On July 13, 2021¹, the City Council adopted the City of Hayward Federal Stimulus Expenditure Plan for \$38.4 million in federal stimulus funding. Annual budget appropriation of ARPA

¹ [Hayward City Council Meeting – July 13, 2021 \(www.legistar.com\)](https://www.legistar.com/View/00000000-0000-0000-0000-000000000000)

In December 2023², the Council Budget and Finance Committee received an update on the status of ARPA fund projects, including a list of potential projects that could be funded through the use of the reallocation of any unobligated ARPA dollars.

DISCUSSION

On July 13, 2021, the City Council adopted the City of Hayward Federal Stimulus Expenditure Plan for \$38.4 million in federal stimulus funding. The projects and programs funded by ARPA include: (1) Support Public Health Expenditures, including Capitalizing Investments in Public Facilities to Meeting Pandemic Operational Needs; (2) Address Negative Impacts Caused by the Public Health Emergency; (3) Replacement of Lost Public Sector Revenue; and (4) Investment in Water, Sewer, and Broadband Infrastructure. Table 1, below, provides a summary of federal relief funding efforts by project/program categories:

PROJECT/PROGRAM CATEGORY	BUDGET AMOUNT	YEAR 1 BUDGET APPROPRIATION (FY 2022)	YEAR 2 BUDGET APPROPRIATION (FY 2023)	YEAR 3 BUDGET APPROPRIATION (FY 2024)
Public Health	\$ 6,940,000	\$ 3,240,000	\$ 2,981,000	\$ 719,000
Negative Economic Impacts	\$15,700,000	\$ 7,845,000	\$ 5,755,000	\$ 2,100,000
Replacement of Lost Revenue	\$14,500,000	\$ 7,250,000	\$ 7,250,000	\$ -
Water/Sewer/Broadband Infrastructure	\$ 1,238,000	\$ 588,000	\$ 450,000	\$ 200,000
TOTAL	\$38,378,000	\$ 18,923,000	\$ 16,436,000	\$ 3,019,000

³ [Hayward Council Budget and Finance Committee Meeting - October 29, 2024 \(www.legistar.com\)](http://www.legistar.com)

ARPA Project and Program Updates:

The City remains dedicated to the transparency of how federal relief funds are allocated and spent. Additionally, providing updates on the status of each project in the adopted Federal Stimulus Expenditure Plan is included in the annual budget document to allow for continued transparency with the Council and the community. Attachment II provides an update on each project through October 2024.

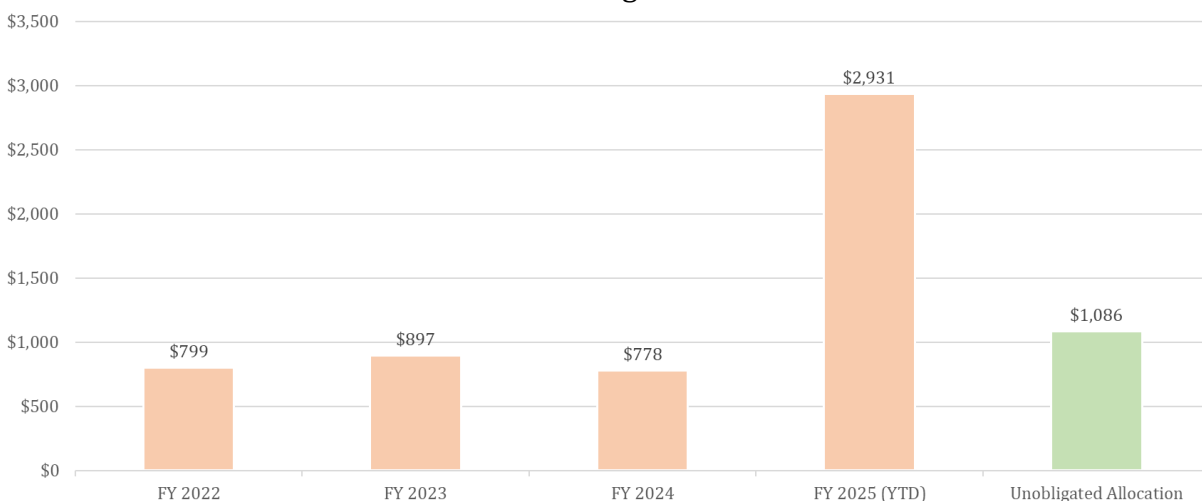
The following section provides expenditure details by ARPA funded project category as outlined in the Federal Stimulus Expenditure Plan and project status updates: (1) Support Public Health Expenditures, including Capitalizing Investments in Public Facilities to Meeting Pandemic Operational Needs; (2) Address Negative Impacts Caused by the Public Health Emergency; (3) Replacement of Lost Public Sector Revenue; and (4) Investment in Water, Sewer, and Broadband Infrastructure.

Supporting Public Health Projects, Including Investments in Public Facilities:

Several projects were identified to support public health expenditures, including capitalizing investments in public facilities to meet pandemic operational needs. Projects related to technology investment in City operations, building upgrades and improvements are included in the Hayward Federal Stimulus Expenditure Plan.

Graph 1 provides an overall summary of the total allocation and year-to-date actual expenditures spent, along with remaining unobligated funds. Attachment II provides more detail on project status and financial obligations anticipated through FY 2025.

Graph 1:
Supporting Public Health Projects, Including Investments in Public Facilities
Actuals vs. Unobligated Allocation



\$ in thousands

Supporting Public Health Projects, Including Investments in Public Facilities Project Status:

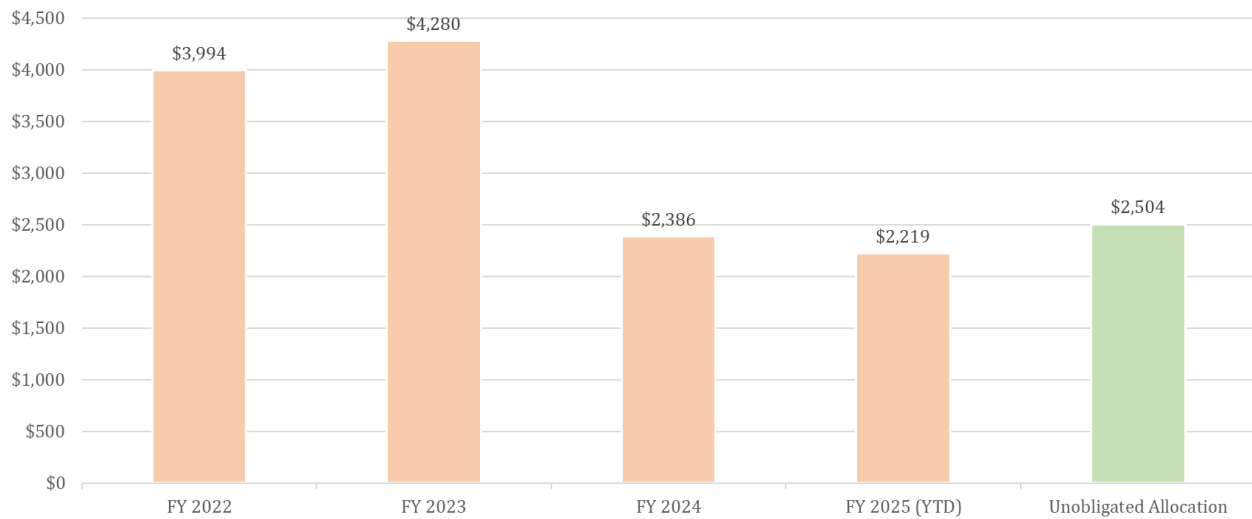
- *EnerGov Contingency Funding:* This project supports the implementation of an online permitting software solution. Development Online permitting application is live effective December 2023. (Completed)
- *Network Security Software:* Implementation of services/solutions underway to increase the overall security posture for the City to support the high utilization of hybrid work. (Completed)
- *Weekes Public Library Redundant Internet Carrier:* A redundant solution was implemented, increasing the network speed as well as providing a more secure and reliable internet connection. (Completed)
- *Laptop Purchase/Upgrades:* Laptops were equipped as desktop replacements to be more mobile-focused and to allow for flexibility and support the high utilization of hybrid work. (Completed)
- *Building Safety Upgrades:* Building safety upgrades will be completed by December 2024. (In Progress)
- *Vaccination Record Management Solution:* Implementation of the product solution to manage vaccination records was deployed during the high of the pandemic.. (Completed)
- *Contribution to Animal Control Facility Renovation:* Facility improvements at the Animal Control Facility are currently underway. All funds have been encumbered with work anticipated to be completed by the end of FY 2025. (In Progress)
- *Weekes Branch Feasibility Assessment:* The Architectural Assessment is complete. (Completed)
- *Contribution to The Stack Center:* This program includes ARPA funding allocation for support and contribution to the Stack Center. Funds were encumbered at the start of FY 2025. (Completed)

Address Negative Economic Impacts Caused by the Public Health Emergency:

Several projects were identified to address negative economic impacts caused by the public health emergency. Projects and Programs included under this category were intended to assist local businesses in efforts to recover from the implications of the pandemic, as well as the development of programs to support those experiencing homelessness and to prevent more members of the community from falling into homelessness.

Graph 2 provides an overall summary of the total allocation and year to date actual expenditures spent, along with remaining unobligated funds. Attachment II provides more detail on project status and financial obligations anticipated through FY 2025.

**Graph 2:
Address Negative Economic Impacts Caused by the Public Health Emergency
Actuals vs. Unobligated Allocation**



\$ in thousands

Address Negative Economic Impacts Caused by the Public Health Emergency Project Status:

- ***Economic Development Business Recovery:*** A number of Economic Development recovery programs were launch with the support of ARPA dollars, including Together-for-Hayward Gift Card program, Small Business Assistance Grants, Open for Business Marketing Program - marketing campaign in coordination with CSUEB to create videos highlighting our small businesses, Restaurant Relaunch Grant Program, Restore and Reopen Facade Program, Tuition Assistance, and more. (Completed)
- ***Community Agency Funding Augmentation:*** ARPA funding provided direct assistance to nonprofits serving Hayward residents in the areas of health, housing, and education. The remaining available funds will be encumbered and/or spent by December 31, 2024 (In Progress)
- ***Extend Hotel Annex Program:*** Over the first two years of operation, the Annex served seniors and medically vulnerable Hayward residents experiencing homelessness. The Annex provided case management and housing placement services for participants. Of the individuals served, about 71% exited the Annex program into permanent housing placements. (Completed)
- ***Expand Winter Warming Shelter Year-Round, Including Daytime Hours:*** The City of Hayward used ARPA funding to expand a temporary Winter Warming Shelter into a yearly shelter with expanded hours of operation including both daytime and nighttime hours. (Completed)
- ***Shallow Subsidies for Homelessness Prevention:*** Project launched in November 2022 and provided direct payment of rental limited, temporary subsidies to households at high risk of eviction or loss of housing through other means. (Complete)
- ***Hayward Navigation Center Contribution:*** ARPA funds were a vital resource in the Navigation Center being able to continue operations during the pandemic and maintain occupancy numbers by expanding the living quarters to support a third communal living bungalow on the site. ARPA funding supporting Hayward Navigation Center operations is nearly

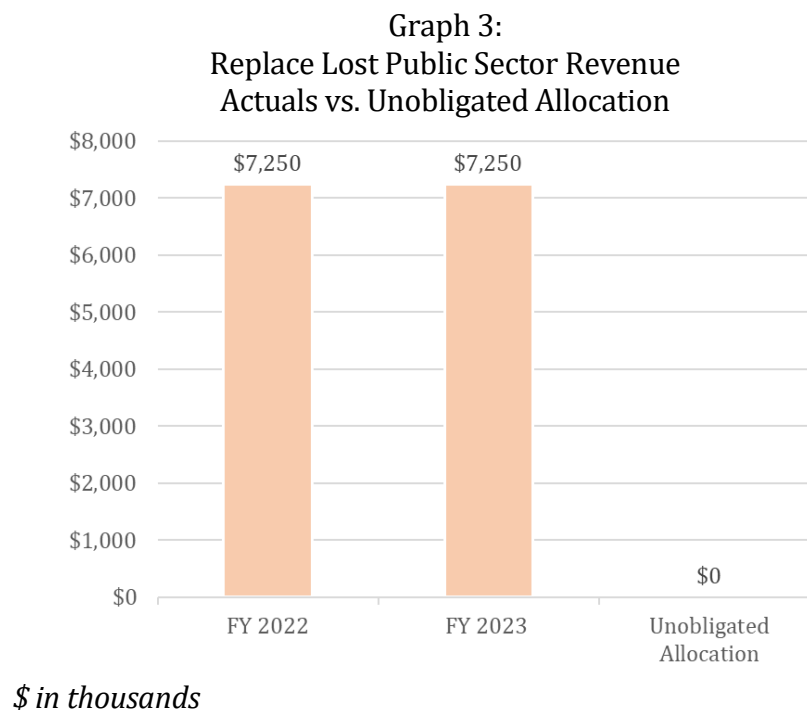
expended. Any remaining funds are expected to be encumbered and/or fully expended by the end of December 2024. (In Progress)

- *First-Time Homebuyer Down Payment Assistance / Wealth-Building Program*: This project explored combining first-time homebuyer down payment assistance program with a social impact bond program to assist low-income purchasers. (Recommended for Reallocation)
- *Encampment Cleanup*: Funding supported cleanup efforts, and maintenance of unsafe and illegal encampments, when appropriate and necessary. (Completed)
- *Mobile Pressure Washer for Encampment Cleanup Efforts*: Funding allowed for the purchase of two different mobile pressure washers. This equipment continues to be used in efforts related to encampment cleanups. (Completed)
- *Operation Clean Sweep – Citywide Enhanced Clean-Up*: Coined "Operation Clean Sweep", this project utilized funding to perform strategic clean-ups and improvements in areas frequented by the unhoused population and areas along the City's main thoroughfares. (Completed)

Replace Lost Public Sector Revenue:

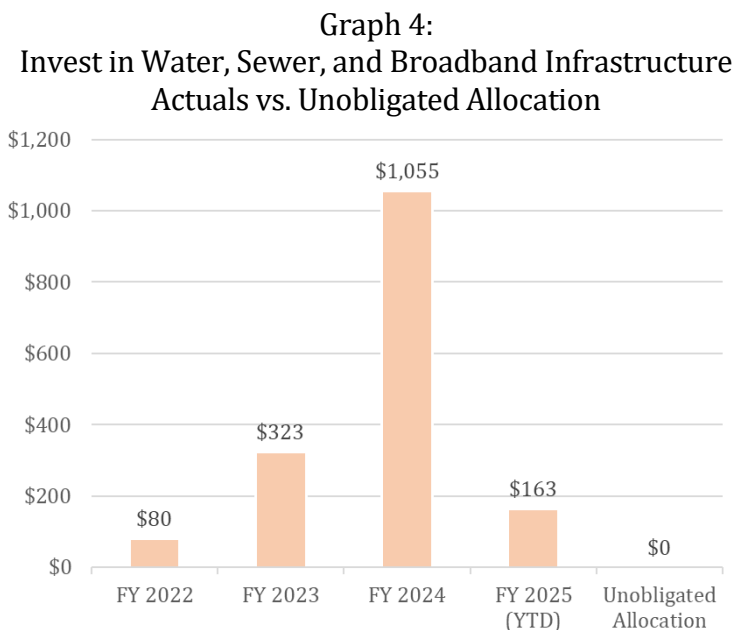
Replacement of Lost Public Sector Revenue: Consistent with methodology provided by the Treasury Guidelines, Council authorized the appropriation of ARPA funding to replace lost public sector revenue due to the COVID crisis. Funding to replace lost revenue was allocated in Year 1 (FY 2022) and Year 2 (FY 2023), which reflects a transfer of \$14.5million, split equally between the two fiscal years.

Graph 3 provides an overall summary of the total allocation and year-to-date actual expenditures. As outlined in Hayward Federal Stimulus Expenditure Plan, a total of \$14.5 million of ARPA dollars were allocated to the General Fund to replace lost public sector revenue during the height of the pandemic.



Invest in Water, Sewer, and Broadband Infrastructure:

Graph 4 provides an overall summary of the total allocation and year to date actual expenditures spent on projects and programs that are included under the category of Invest in Water, Sewer, and Broadband Infrastructure.



\$ in thousands

Invest in Water, Sewer, and Broadband Infrastructure Project Status:

- **Tech Lending Library:** Chrome Books / Hot Spots for 3 years: This program has supported providing over 600 computing and broadband internet devices to Hayward students and adult literacy learners without reliable access to Wi-Fi. ARPA funding has been used to continue providing access to families already benefiting from the Tech Lending Library (such as the issuance of hotspot, Chromebook, and tablet). Funding ongoing data plans for the 600+ devices ensures that families will not experience a gap in access to services. (Completed)

Recommendations for Uses of Unobligated ARPA Funds

ARPA recipients must obligate funds by December 31, 2024, and fully expend all ARPA dollars by December 31, 2026. The obligation of funds may include entering into contract and/or securing a purchase order or requisition for supplies, services, and/or equipment that are considered eligible expenses. The City has the option to reallocate any unspent and/or unobligated ARPA dollars to the General Fund to account for lost revenue during the pandemic.

In developing the Federal Stimulus Expenditure Plan, Council considered a number of priorities that would both meet the needs of the community as it recovered from the

pandemic, and restoration the City's fiscal position due to the negative impacts the pandemic had on a number of key revenue sources. While the City appropriated \$14.5 million to the General Fund for the restoration of lost revenue, there is still capacity to appropriate additional ARPA dollars.

As the City approaches the December 31, 2024, deadline to obligate all ARPA dollars, staff reviewed all ARPA funded projects. Staff met with Departments to review and discuss project status and feasibility to meet obligation deadlines. Based on these conversations and analysis, there is approximately up to \$3.6 million in ARPA dollars that could be reallocated to the General Fund for the restoration of lost revenue. Staff recommends appropriating the \$3.6 million in ARPA dollars to the General Fund to account for lost revenue during the pandemic. During a future work session, Council may consider prioritizing and/or setting guidelines for the use of appropriated funds to the General Fund.

Table 2 provides a summary of ARPA funded projects that will not meet the obligation deadline and will be considered for appropriation to the General Fund for lost revenue:

Table 2: ARPA Projects Unable to Meet Deadline

Support public health expenditures, including capitalizing investments in public facilities to meet pandemic operational needs			
Project	Project	Unobligated Funds	Status of Project
RP013	Council Chambers Upgrades	\$104,010	Unable to Meet Obligation Deadline
RP015	Access Hayward Replacement Implementation	\$50,000	Unable to Meet Obligation Deadline
RP019	Expand Fiber Network to Fire Station 5 and Fire Station 9	\$365,542	Unable to Meet Obligation Deadline

Address negative economic impacts caused by the public health emergency			
Project	Project	Unobligated Funds	Status of Project
RP140	Relocation Assistance for Displaced Tenants	\$51,530	On As-Need Basis - Funds to Reappropriate
RP160	Legal Services for Eviction Protection	\$450,000	Unable to Meet Obligation Deadline
RP170	Hotel Vouchers for Encampment Abatements	\$2,289	On As-Need Basis - Funds to Reappropriate

Table 3 provides a summary of ARPA funded projects that are complete and have unspent and unobligated funds remaining, and will be considered for appropriation to the General Fund for lost revenue:

Table 3: ARPA Projects with Unobligated Available Funding

Support public health expenditures, including capitalizing investments in public facilities to meet pandemic operational needs			
Project	Project	Unobligated Funds	Status of Project
RP010	Corporation Yard Campus Fiber Upgrade	\$60,000	Complete - Funds to Reappropriate
RP011	Zero Trust Network Security Software	\$8,562	Complete - Funds to Reappropriate
RP016	Portable PA System and Mixer	\$3,000	Complete - Funds to Reappropriate
RP017	SD-WAN Implementation	\$29,264	Complete - Funds to Reappropriate
RP018	Web Camera/Headsets	\$9,816	Complete - Funds to Reappropriate
RP050	Fire Training Center Funding Gap	\$456,058	Complete - Funds to Reappropriate

Additionally, as part of the Federal Stimulus Expenditure Plan approved by Council, a First-Time Homebuyer Down Payment Assistance/Wealth-Building Program was identified as a community need. The program includes a budget of \$2 million in ARPA dollars, which has not yet been expended. Staff has explored combining this program with an acquisition rehab program (social impact bond program) to reduce the acquisition costs to the purchasers making the program more feasible for low-income purchasers as required by the federal guidelines but the lender for the program withdrew its commitment due to a pending merger. While staff has a plan for committing funds prior to the deadline and administering the program, given the constraints of the federal funding, staff is recommending that the \$2 million in ARPA funding be appropriated to the General Fund.

The Council Budget and Finance Committee supported the recommendation to reallocated unobligated and unspent ARPA dollars. This included the support for reallocating ARPA dollars allocated to the First-Time Homebuyer Down Payment Assistance/Wealth-Building Program to the General Fund. The first-time homebuyer down payment assistant program is also included in the City's Strategic Roadmap and depending on viability and funding, this project may be deferred on the Strategic Roadmap.

ECONOMIC IMPACT

Receiving the Federal Stimulus funding (ARPA), the City has been able to respond and provide relief to both the City programs and local community members who experienced adverse economic impacts related to the pandemic. Beginning in July 2021, the adopted Federal Stimulus Expenditure Plan identified several projects and programs that provided funding that has made a substantial difference in helping the local economy recover from the pandemic.

STRATEGIC ROADMAP

This agenda item supports several of the Strategic Priorities in the City's approved Strategic Roadmap.

FISCAL IMPACT

The City of Hayward has a total of \$3,590,072 in unspent and/or unobligated ARPA dollars. The reallocation of the previously appropriated ARPA dollars to the General Fund will be utilized to account for lost revenue due to the pandemic and ensure federal compliance with the December 31, 2024 obligation date.

Additionally, the City earned interest on the ARPA dollars, which accounts for \$415,455. There are no requirements for how interest earnings can be used. Staff recommends appropriating the \$415,454 to the General Fund.

The total recommended appropriation to the General Fund is \$4,005,527.

PUBLIC CONTACT

This agenda item was published in accordance with all Brown Act requirements.

NEXT STEPS

If Council supports the recommendation to reallocate the entire \$3.6 million in unspent and/or unobligated ARPA dollars, including \$0.4 million in earned interest, staff will return to Council with an action to appropriate the \$4.0 million to the General Fund.

Prepared by: Nicholas Mullins, Senior Management Analyst
Nicole Gonzales, Director of Finance

Recommended by: Nicole Gonzales, Director of Finance

Approved by:

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Dustin Claussen, Interim City Manager