



DATE: October 29, 2024

TO: Council Budget and Finance Committee

FROM: Director of Finance

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

RECOMMENDATION

That the Committee receive an update on the status of American Rescue Plan Act (ARPA) funded projects and approve 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 the Committee's consideration and feedback, this report provides recommendations on addressing unobligated funds and reallocation to ensure federal compliance.

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 \(www.legistar.com\)](http://www.legistar.com)

funded projects has been included in the annual budget process beginning in FY 2022 through FY 2024.

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

To prioritize the needs of the organization and community, the City created two major internal expenditure categories: (1) Community Safety and Economic Recovery, and (2) Fiscal Recovery and Stabilizing City Operations. The Community Safety and Economic Recovery category prioritizes the external needs of the community in the areas of: economic development; housing and homelessness prevention; community and nonprofit programs and efforts; and enhanced clean-up and maintenance. The Fiscal Recovery and Stabilizing City Operations category focuses on: the internal fiscal needs of the City to stabilize City operations and services through replenishing and offsetting the loss of past and projected City revenues; investments in technology needed to return-to-work safely and to enhance remote participation moving forward; and other building and infrastructure investments needed to help maintain and expand City operations and services in a post-COVID environment.

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:

Table 1: Summary of Hayward Federal Stimulus Expenditure Plan

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

ARPA Project and Program Updates:

² [Hayward Council Budget and Finance Committee Meeting - December 6, 2023 \(www.legistar.com\)](https://www.legistar.com/View/00000000-0000-0000-0000-000000000000)

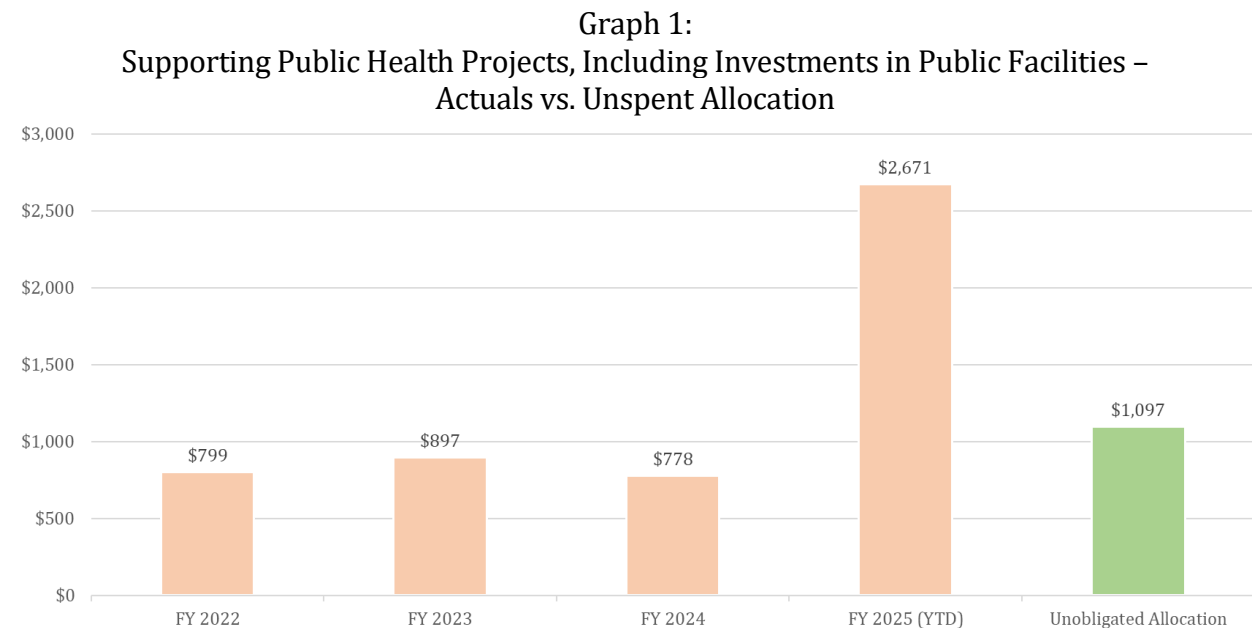
The City remains dedicated to the transparency of how federal relief funds are allocated and spent. Additionally, providing updates on the status of each project in the adopted Federal Stimulus Expenditure Plan is included in the annual budget document to allow for continued transparency with the Council 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: (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 on projects and programs that are included under the category of Support Public Health, Including Investments in Public Facilities. Attachment II provides more detail on project status and financial obligations anticipated through FY 2025.

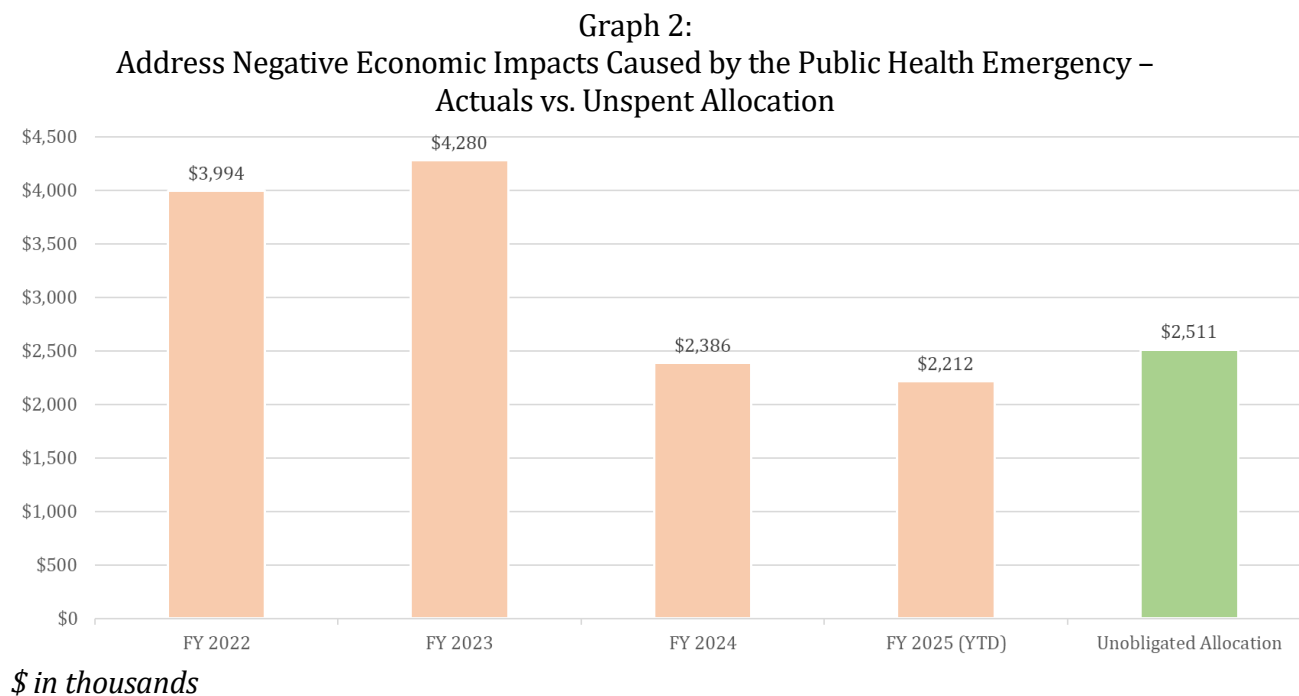


\$ in thousands

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 on projects and programs that are included under the category of Address Negative Economic Impacts Caused by the Public Health Emergency. Attachment II provides more detail on project status and financial obligations anticipated through FY 2025.

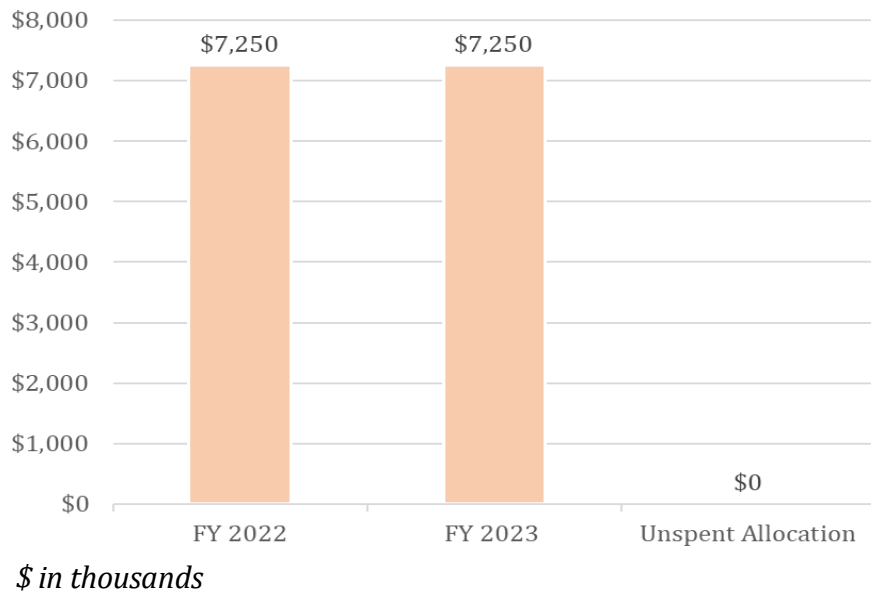


Replace Lost Public Sector Revenue:

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 \$14.5 million, 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.

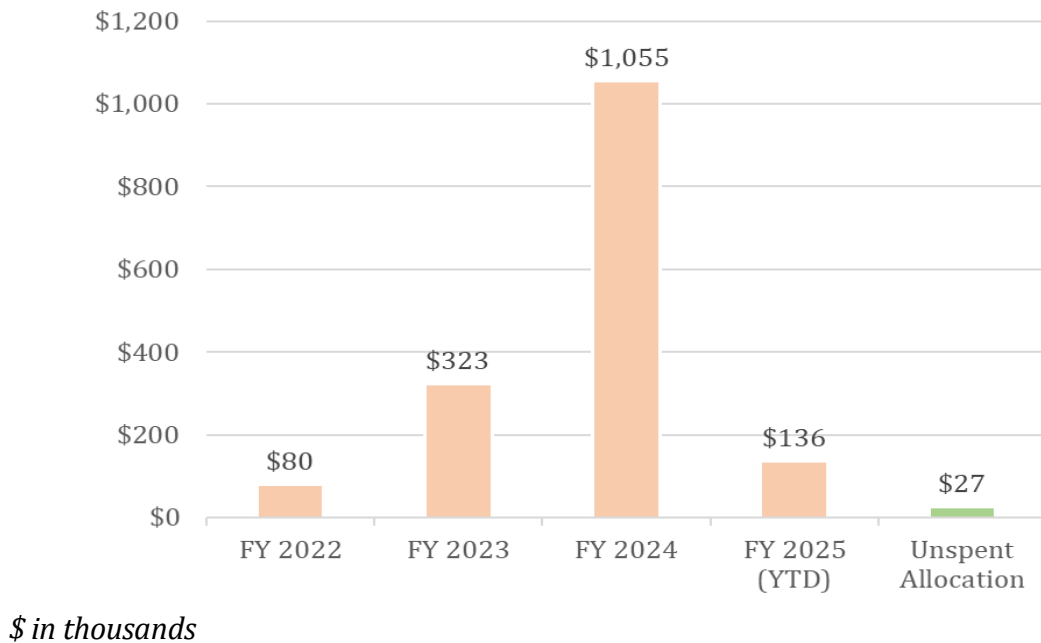
Graph 3:
Replace Lost Public Sector Revenue – Actuals vs. Unspent Allocation



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.

Graph 4:
Invest in Water, Sewer, and Broadband Infrastructure – Actuals vs. Unspent Allocation



Recommendations for Uses of Unobligated ARPA Funds

According to Federal compliance standards ARPA recipients must obligate all 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.

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	\$8,585	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	\$10,765	Complete - Funds to Reappropriate
RP018	Web Camera/Headsets	\$9,816	Complete - Funds to Reappropriate
RP030	Contribution to Animal Control Facility Renovation	\$28,989	Complete - Funds to Reappropriate
RP050	Fire Training Center Funding Gap	\$506,058	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.

As the City approaches the December 31, 2024, deadline to obligated 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.

If the Committee agrees with Staff's recommendation to re-appropriate these funds, the Council could consider funding the project in the future using General Fund dollars and identifying a target population that is more likely to be successful purchasers at a time when the City's financial outlook is more stable. The first-time homebuyer down payment assistant program is also included in the City's Strategic Roadmap. 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

There is no fiscal impact related to this specific agenda item.

PUBLIC CONTACT

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

NEXT STEPS

Staff will present an update on the status of ARPA funding projects and discuss recommendations for consideration related to the reallocation of unobligated and/or unspent funds with the full Council on November 19, 2024.

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

Recommended by: Nicole Gonzales, Director of Finance

Approved by:



Dustin Claussen, Interim City Manager