



**DATE:** June 16, 2021

**TO:** Community Services Commission

**FROM:** Acting Community Services Manager

**SUBJECT** Community and Nonprofit Federal Stimulus Funding: Review and Discuss Updated American Rescue Plan Act (ARPA) Funding Recommendations to Community Programs due to Further Staff Review Following May 19, 2021 Community Services Commission Meeting

## **RECOMMENDATION**

That the Community Services Commission reviews this report and selects an updated funding recommendation for allocation of federal stimulus funding for final Council approval.

## **SUMMARY**

The recently passed America Rescue Plan Act of 2021 (ARPA), also known as the COVID-19 Stimulus Package, included over \$65 billion in direct federal relief to cities to address the economic and fiscal impacts of the COVID crisis and to assist in the recovery of local communities. The City of Hayward is estimated to receive approximately \$38 million in local relief from the federal government to address the internal and external needs of the City associated with the COVID crisis over the next year. Staff have recommended that a portion of the federal stimulus funds be dispersed to community and nonprofit programs and initiatives with a funding recommendation from the Community Services Commission (CSC).

On May 19, 2021, staff presented to the CSC an initial recommendation for dispersing \$250,000 - \$750,000 to community and nonprofit programs.<sup>1</sup> During this meeting, Commissioners provided important feedback and considerations for dispersing these funds and an initial recommendation for fund disbursement that differed from staff's recommendation. Since this meeting, staff have received an updated allocation estimate of \$500,000, in addition to further guidance from the U.S. Department of the Treasury on how federal funds can be used to respond to acute pandemic response needs and support the communities and populations hardest-hit by the COVID-19 crisis (Attachment II).

Additionally, staff assessed the CSC's recommendation and determined that the CSC's initial recommendations for dispersing funds are administratively infeasible. Staff have incorporated the CSC's feedback garnered from May 19, 2021, as well as the newly provided

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<sup>1</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4952899&GUID=D7AEA561-F48E-40C7-84B6-65688F60F578&Options=&Search=> May 19, 2021 meeting of the Community Services Commission

guidance on eligible services, to create three new options for dispersing APRA funds to community and nonprofit programs for CSC review and recommendation.

## **BACKGROUND**

### **American Rescue Plan Action of 2021 Funding**

Through the ARPA, also known as the COVID-19 Stimulus Package, the City of Hayward is estimated to receive approximately \$38 million in local relief from the federal government to address the internal and external needs of the City associated with the COVID crisis over the next year. The funds are intended to be flexible as long as they address a need in the City associated with the COVID-19 crisis and are expended by December 2024.

At the April 6, 2021 Council meeting, City staff recommended splitting the funding into two major expenditure categories in a range of approximately \$15 to \$25 million each:

- (1) Community Safety & Economic Recovery; and
- (2) Fiscal Recovery & Stabilizing City Operations.

The Community Safety & Economic Recovery category will prioritize the external needs of the community in the areas of: economic development and recovery for small businesses and other impacted business industries; housing and homelessness programs and assistance for the City's most vulnerable populations; community and nonprofit programs and efforts; and enhanced clean-up and maintenance. This category will focus particularly on addressing the needs of Hayward's most vulnerable populations and implementing funding and programs with an equity lens as has been done throughout the City's COVID response.

In May, the United States Treasury (Treasury) issued the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule that provides guidelines on how State and local governments should implement ARPA and allocate any funds received pursuant to ARPA (Guidelines). Attachment II provides a Fact Sheet provided by the Treasury that summarizes the Guidelines. While City staff and its federal legislative advocates are still carefully reviewing the Guidelines, City staff updated the City's draft federal stimulus expenditure plan to reorganize the expenditure plan according to the eligible categories presented in the Guidelines and to exclude any ineligible items previously under consideration, such as deposits to rainy day funds or financial reserves (Attachment III). As outlined in Attachment III, staff have recommended \$500,000 in funds be dispersed to community and nonprofit programs and efforts with funding recommendations from the CSC.

On May 19, 2021, staff presented to the CSC an initial recommendation for dispersing \$250,000 - \$750,000 to community and nonprofit programs.<sup>2</sup> Since this meeting, staff received the updated allocation estimate of \$500,000, in addition to further guidance from the U.S. Department of the Treasury on how federal funds can be used to respond to acute pandemic response needs and support the communities and populations hardest-hit by the COVID-19 crisis.<sup>3</sup>

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<sup>2</sup> <https://hayward.legistar.com/LegislationDetail.aspx?ID=4952899&GUID=D7AEA561-F48E-40C7-84B6-65688F60F578&Options=&Search=> May 19, 2021 meeting of the Community Services Commission

<sup>3</sup> <https://abouttax.com/XnX> "FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver \$350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs"

## **U.S. Department of the Treasury Guidance**

While the pandemic has affected communities across the country, it has disproportionately impacted low-income families and communities of color and has exacerbated systemic health and economic inequities. Low-income and socially vulnerable communities have experienced the most severe health impacts.

The ARPA funds allow for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. Eligible services include:

- **Addressing health disparities and the social determinants of health**, through funding for community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs;
- **Investments in housing and neighborhoods**, such as services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity;
- **Addressing educational disparities** through new or expanded early learning services, providing additional resources to high-poverty school districts, and offering educational services like tutoring or afterschool programs as well as services to address social, emotional, and mental health needs; and,
- **Promoting healthy childhood environments**, including new or expanded high quality childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

No additional guidance has been provided on reporting requirements associated with ARPA funding.

## **DISCUSSION**

### **Community Agency Funding Augmentation**

On May 19, 2021, staff presented to the CSC an initial recommendation for dispersing \$250,000 - \$750,000 to community and nonprofit programs.<sup>4</sup> Since this meeting, staff received the updated allocation estimate of \$500,000, in addition to further guidance from the Treasury on how federal funds can be used to respond to acute pandemic response needs and support the communities and populations hardest-hit by the COVID-19 crisis.<sup>5</sup>

### **Feedback from May 19, 2021 CSC Meeting**

On May 19, 2021, staff presented to the CSC seeking input on dispersing a portion of the APRA funds to community and nonprofit programs. Staff recommended prioritizing this portion of stimulus funding using the CSC's recommendation for prioritization of additional funding through the Fiscal Year 2021-2022 (FY22) Community Agency Funding (CAF) process. Using

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<sup>5</sup> <https://abouttax.com/XnX> "FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver \$350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs"

this prioritization methodology, funding would have been allocated to the categories of food, health, and housing and deferred to staff to determine funding amount and agencies.

The CSC proposed an alternative methodology of dispersing funding across select FY22 Social Service agencies (excluding Arts and Music agencies) in an amount proportionate to their percentage award received as part of the CAF budget for their respective Application Review Committees (ARCs). During this meeting, Commissioners provided important feedback and considerations for dispersing these funds, including the following:

- 1) ARPA funding should not necessarily be limited to the categories of food, health, and housing, and expressed concern that it is unknown what services are eligible to receive ARPA funding.
- 2) The CSC's recommendation for dispersing additional funds through the FY22 CAF did not take into consideration an additional allocation of this amount of funding.
- 3) Funding allocation and recipient agencies should not be determined by staff.

Following the May 19, 2021 meeting staff have determined that the CSC's initial recommendation for dispersing funds across all selected FY22 Social Service agencies (excluding Arts and Music agencies) is administratively infeasible. At present, the Community Services Division has 1.25 staff vacancies and does not have the staff capacity to amend all of the contracts per the CSC's May 19<sup>th</sup> direction.

With a defined funding allocation of \$500,000 and additional guidance from the Treasury on eligible services (Attachment II), staff have incorporated the CSC's feedback garnered from May 19, 2021 to create three new options for dispersing APRA funds to community and nonprofit programs.

Attachment IV provides a complete breakdown of ARPA Eligible Services cross-referenced against the corresponding CAF funding category with FY22 agency/program funding information.

***Option 1: Defer to Fiscal Year 2023 (FY23) Community Agency Funding Process***

In recognition of this unique and impactful opportunity to disperse additional one-time funding, one option is that the CSC defer this funding allocation to the FY23 CAF process for full deliberation. This option will allow Commissioners the ability to deliberate on which agencies should receive additional funding within the eligible use categories and will provide staff with additional time to receive additional guidance on ARPA funding reporting requirements to allow full transparency in awarding funding to subrecipient agencies.

While staff acknowledges that this option will delay dispersal of ARPA funds into the community until FY23, it will position the City to be able to better support subrecipient agencies and in turn the Hayward community. Notably, through the federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the City has already administered \$3,154,426 to 17 agencies to meet the emergency needs of the Hayward community.

***Option 2: Allocate Funding based on ARPA Eligible Services Categories using Percentages based on the Community Agency Funding Allocation, Defer to Staff to Determine Award Amounts and Recipient Agencies***

Using the eligibility criteria set out by the U.S. Department of the Treasury, Option 2 would allocate ARPA funding to the eligible service categories on a percentage basis, proportionate to the CSC’s funding recommendations during the CAF process (see below for percentages). The percentage basis was developed by:

- 1) Categorizing the FY22 CAF recipients into eligible ARPA funding categories;
- 2) Totaling the FY22 CAF awards (across both Community Development Block Grant and General Funded agencies) to create a total of \$788,367 funded towards ARPA eligible services through the FY22 CAF;
- 3) Dividing the total funding awarded during the FY22 CAF per ARPA category by the total FY22 CAF funding allocations.

**Table 1: Option 2 for Dispersing ARPA Funds**

	<b>FY22 CAF Total Award by ARPA Category (Across Funding Sources)</b>	<b>% Funded by Category</b>	<b>Option 1 ARPA Allocation</b>
<b>Addressing Health Disparities and the Social Determinants of Health</b>	\$40,655	5%	\$24,690
<b>Investments in Housing and Neighborhoods</b>	\$497,446	60%	\$302,099
<b>Addressing Education Disparities</b>	\$240,216	29%	\$145,883
<b>Promoting Healthy Childhood Environments</b>	\$45,000	6%	\$27,328
<b>Total</b>	<b>\$823,317</b>	<b>100%</b>	<b>\$500,000</b>

Should the CSC select Option 2, staff anticipates awarding six – eight agencies with additional ARPA funding, in recognition of current staff capacity.

***Option 3: Allocate Funding Based on ARPA Eligible Services Evenly Across Categories, Defer to Staff to Determine Award Amounts and Recipient Agencies***

Using the eligibility criteria set out by the U.S. Department of the Treasury, Option 3 would allocate funding to each of the ARPA service categories evenly, resulting in an amount of \$125,000 per category (\$500,000 divided by each of the four ARPA categories). Using this funding allocation, staff would determine recipient agencies based on agency fiscal capacity and staff discretion, including agency performance. Should the CSC select Option 3, staff anticipates awarding six – eight agencies with additional ARPA funding.

**Table 2: Option 3 for Dispersing ARPA Funds**

	<b>FY22 CAF Total Award by ARPA Category (Across Funding Sources)</b>	<b>Option 2 ARPA Allocation</b>
<b>Addressing Health Disparities and the Social Determinants of Health</b>	\$40,655	\$125,000
<b>Investments in Housing and Neighborhoods</b>	\$497,446	\$125,000
<b>Addressing Education Disparities</b>	\$240,216	\$125,000
<b>Promoting Healthy Childhood Environments</b>	\$45,000	\$125,000
<b>Total</b>	<b>\$823,317</b>	<b>\$500,000</b>

***Staff Recommendation***

Staff recommend that the CSC select Option 1: to defer funding dispersal until the FY23 Community Agency Funding Process. Staff recommend this option to allow Commissioners the ability to deliberate on which agencies should receive additional funding within the eligible use categories and to provide staff with additional time to receive additional guidance on ARPA funding reporting requirements to allow full transparency in awarding funding to subrecipient agencies.

While staff recommend Option 1, Option 2 or 3 would be feasible, but would require Commissioners to defer to staff to select subrecipient agencies and final award amounts, and would limit the total agreements to no more than 6-8 agreements.

**STRATEGIC ROADMAP**

These funding allocation recommendations support several of the City’s Strategic Roadmap priority areas, including Preserve, Protect, & Produce Housing; Grow the Economy; and Support Quality of Life. The recommendations are not specifically related to a project identified in the Strategic Roadmap.

**FISCAL IMPACT**

The COVID crisis has resulted in significant fiscal impacts to the City of Hayward. Since the crisis started, excluding the costs associated with staffing the efforts listed above, the City has expended over \$5 million in direct services to the community to address COVID impacts. The City is projected to experience a total reduction of approximately \$9.2 million in City reserves by the end of this fiscal year due to a loss of tax and other City revenues. The expenditure of stimulus funding over the next 3.5 years will significantly help the City to stabilize its operations and fiscal situation.

**PUBLIC CONTACT**

As part of the Community Agency Funding process, a public comment period was held regarding the Community Agency Funding process. Additionally, members of the public had the opportunity to provide public comment on the community agency funding process at the CSC’s February 17, 2021 and March 17, 2021, meetings. Members of the public had the

opportunity to provide public comment on the ARPA funding process at the CSC May 19, 2021 meeting.

### **NEXT STEPS**

Staff will incorporate feedback from the CSC and will return to the Council in July 2021 with a budget appropriation for expenditure of stimulus funding. Additionally, staff will return to the Council for 6-month expenditure reviews, including any further necessary budget appropriations or amendments.

*Prepared and Recommended by:* Jessica Lobedan, Acting Community Services Manager

Approved by:

Jennifer Ott, Assistant City Manager