



**DATE:** July 13, 2021

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT** Federal Stimulus Expenditure Plan: Adopt a Resolution Approving the City of Hayward Federal Stimulus Expenditure Plan for \$38 million in Stimulus Funding and Authorizing Appropriation of \$18.9 million in Stimulus Funding for Year 1 Projects and Programs

### **RECOMMENDATION**

That the Council adopts a resolution (Attachment II) approving the City of Hayward Federal Stimulus Expenditure Plan for \$38 million in stimulus funding and authorizing appropriation of \$18.9 million in American Rescue Plan Act stimulus funding for Year 1 projects and programs.

### **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 in order 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. The funding will be delivered to the City in two payments: the first 50% or \$19 million within 30-60 days and the second 50% or \$19 million within 12 months, of which the City has already received its first payment of \$19 million. The funds are intended to be flexible to address a need in the City associated with the COVID-19 crisis and are to be expended by December 2024.

At the April 6, 2021 Council meeting<sup>1</sup>, City staff recommended splitting the funding into two major expenditure categories: (1) Community Safety & Economic Recovery; and (2) Fiscal Recovery & Stabilizing City Operations. The Community Safety & Economic Recovery category was intended to prioritize the external needs of the community in the areas of economic development; housing and homelessness programs; community and nonprofit programs and efforts; and enhanced clean-up and maintenance. The Fiscal Recovery & Stabilizing City Operations category was expected to focus 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 revenue; investments in technology needed to return-to-work safely

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<sup>1</sup> [CITY OF HAYWARD - File #: WS 21-017 \(legistar.com\)](#)

and 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.

Upon receiving feedback from the Council at the April 6<sup>th</sup> meeting, staff developed an updated and more detailed expenditure plan and process for further review and comment by the Council and community. At the April 27<sup>th</sup> meeting, Council approved a resolution authorizing the acceptance of the stimulus funds and provided further comments on the draft expenditure plan and process for allocating the funds.<sup>2</sup>

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). Upon review of the Guidelines, City staff updated the City's draft 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.

Additionally, in response to Council direction, staff presented the updated recommendations consistent with the Guidelines and received feedback on the relevant components of the draft Expenditure Plan from the Council Infrastructure Committee (CIC)<sup>3</sup> on May 26<sup>th</sup>, the Homelessness-Housing Task Force (HHTF)<sup>4</sup> on June 3<sup>rd</sup> and Council Economic Development Committee (CEDC)<sup>5</sup> on June 25<sup>th</sup>, as well as from the Community Services Commission at their May 19<sup>th</sup> and June 16<sup>th</sup> meetings<sup>6</sup> on how to allocate additional funds for community nonprofits.

The latest draft Expenditure Plan, updated based on the Guidelines and on Committee and Commission feedback, is provided as Attachment III and includes staff recommendations for the entire \$38 million in stimulus funding, as well as \$18.9 million in recommended Year 1 appropriations. A detailed summary of the input and comments from the recent Council and Committee meetings is also provided in Attachment IV.

If Council adopts the resolution approving the draft Expenditure Plan for the entire \$38 million in stimulus funding and appropriating \$18.9 million in stimulus funding for Year 1 projects and programs contained in Attachment III, staff will commence implementation of Year 1 projects and programs immediately. Staff will return to the Council for 6-month expenditure and programmatic reviews, including any further budget appropriations or future amendments to the Expenditure Plan.

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<sup>2</sup> [CITY OF HAYWARD - File #: LB 21-012 \(legistar.com\)](#)

<sup>3</sup> [CITY OF HAYWARD - File #: ACT 21-053 \(legistar.com\)](#)

<sup>4</sup> [CITY OF HAYWARD - File #: WS 21-028 \(legistar.com\)](#) and [CITY OF HAYWARD - File #: WS 21-029 \(legistar.com\)](#)

<sup>5</sup> [CITY OF HAYWARD - File #: WS 21-031 \(legistar.com\)](#)

<sup>6</sup> [CITY OF HAYWARD - File #: LB 21-014 \(legistar.com\)](#) and [CITY OF HAYWARD - File #: LB 21-022 \(legistar.com\)](#)

## BACKGROUND

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 in order 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. The funding will be delivered to the City in two payments: the first 50% or \$19 million within 30-60 days and the second 50% or \$19 million within 12 months, of which the City has already received its first payment of \$19 million. 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. While the funds are explicitly allowed to be used to replace the loss of public sector revenue due to the COVID crisis, such as loss of sales, transient occupancy, and other tax and local revenues, they are prohibited from being used to fund pension obligations and financial reserves.

There are also other specific funding opportunities in ARPA for local economic recovery outside of the local government funding, such as a Small Business Opportunity Fund to provide growth capital to main street small businesses in economically disadvantaged areas, including minority-owned businesses. The following provides a link to an overview of the entire ARPA legislation: [American-Rescue-Plan-Fact-Sheet.pdf \(whitehouse.gov\)](#). Additionally, there is anticipated to be other upcoming federal legislation to address transportation and infrastructure needs.

The Hayward community has suffered significant impacts related to the COVID crisis, including COVID-related illness and deaths, temporary and permanent business closures, loss of jobs, increased crime, blight, and illegal dumping, and increased housing instability and homelessness. These adverse impacts have hit Hayward's communities of color the hardest. Additionally, the City organization experienced a substantial decrease in City revenues.

At the April 6, 2021 Council meeting,<sup>7</sup> City staff recommended splitting the funding into two major expenditure categories: (1) Community Safety & Economic Recovery; and (2) Fiscal Recovery & Stabilizing City Operations. The Community Safety & Economic Recovery category was intended to prioritize the external needs of the community in the areas of economic development; housing and homelessness programs; community and nonprofit programs and efforts; and enhanced clean-up and maintenance. The Fiscal Recovery & Stabilizing City Operations category was expected to focus 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 revenue; investments in technology needed to return-to-work safely and 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. In addition, staff presented general guidelines for identifying specific projects and programs for use of Hayward's stimulus funding, such as filling a funding gap

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<sup>7</sup> [CITY OF HAYWARD - File #: WS 21-017 \(legistar.com\)](#)

and/or leveraging other sources of funds or unlikely to be funded through other source of funds.

Upon receiving feedback from the Council at the April 6<sup>th</sup> meeting, staff developed an updated and more detailed expenditure plan and process for further review and comment by the Council and community, which included a list of potential projects and programs, based on Council feedback, a review of the City's Strategic Roadmap priorities and projects, current trends and data, unfunded capital needs, previous residential surveys, internal discussions among staff, and other plans, documents, and ongoing community processes. At the April 27<sup>th</sup> meeting, Council adopted a resolution authorizing the acceptance of the stimulus funds and provided further comments on the draft expenditure plan and process for allocating the funds.<sup>8</sup> The draft Expenditure Plan included a process for making funding recommendations to various Council Committees and the Community Services Commission for further feedback on the relevant projects and programs to be funded before returning to the Council in July 2021 with a budget appropriation for expenditure of stimulus funding.

In May, the 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 V provides a Fact Sheet provided by the Treasury that summarizes the Guidelines, which highlight the following key categories for funding:

- **Support public health expenditures**, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff, including capitalizing investments in public facilities to meet pandemic operational needs;
- **Address negative economic impacts caused by the public health emergency**, including economic harms to workers, households, small businesses, impacted industries, and the public sector;
- **Replace lost public sector revenue**, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;
- **Provide premium pay for essential workers**, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors; and
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet.

Upon review of the Guidelines, City staff updated the City's draft Expenditure Plan to reorganize the expenditure plan according to the eligible categories presented in the

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<sup>8</sup> [CITY OF HAYWARD - File #: LB 21-012 \(legistar.com\)](#)

Guidelines and to exclude any ineligible items previously under consideration, such as deposits to rainy day funds or financial reserves.

Additionally, in response to Council direction, staff presented the updated recommendations consistent with the Guidelines and received feedback on the relevant components of the draft Expenditure Plan from the CIC<sup>9</sup> on May 26<sup>th</sup>, the HHTF<sup>10</sup> on June 3<sup>rd</sup> and CEDC<sup>11</sup> on June 25<sup>th</sup>, as well as from the Community Services Commission at their May 19<sup>th</sup> and June 16<sup>th</sup> meetings<sup>12</sup> on how to allocate additional funds for community nonprofits.

The latest draft Expenditure Plan for the entire \$38 million in stimulus finding was updated based on the Guidelines and on Committee and Commission feedback and includes recommendations for Year 1 appropriations, as provided in Attachment III. A detailed summary of the input and comments from the recent Council and Committee meetings is included in Attachment IV. Staff is recommending approval of the draft Expenditure Plan for the entire \$38 million in stimulus finding and appropriation of Year 1 funding in the amount of \$18.9 million.

## DISCUSSION

As described above, staff developed the draft Expenditure Plan, comprised of a list of recommended projects and programs consistent with the Guidelines, based on Council, Committee, and Commission feedback, a review of the City’s Strategic Roadmap priorities and projects, current trends and data, unfunded capital needs, previous residential surveys, internal discussions among staff, and other plans, documents, and ongoing community processes. Staff is recommending approval of the draft Expenditure Plan for the entire \$38 million in stimulus finding (Attachment III) and appropriation of Year 1 funding in the amount of \$18.9 million. The following provides a summary of the projects and programs recommended for appropriation in Year 1:

### SUMMARY OF FUNDING FOR YEAR 1 STIMULUS PROJECTS AND PROGRAMS

<b><i>A. Support Public Health Expenditures, including Capitalizing Investments in Public Facilities to Meet Pandemic Operation Needs</i></b>			
<b>Project</b>	<b>Description</b>	<b>Year 1 Appropriation</b>	<b>Outreach &amp; Review</b>
Technology Investment in City Operations	Technology investments in City operations and facilities to facilitate safe return-to-work and greater remote participation in meetings, service provision and remote work	\$1,300,000	CIC review and recommendation

<sup>9</sup> [CITY OF HAYWARD - File #: ACT 21-053 \(legistar.com\)](#)

<sup>10</sup> [CITY OF HAYWARD - File #: WS 21-028 \(legistar.com\)](#) and [CITY OF HAYWARD - File #: WS 21-029 \(legistar.com\)](#)

<sup>11</sup> [CITY OF HAYWARD - File #: WS 21-031 \(legistar.com\)](#)

<sup>12</sup> [CITY OF HAYWARD - File #: LB 21-014 \(legistar.com\)](#) and [CITY OF HAYWARD - File #: LB 21-022 \(legistar.com\)](#)

Building Safety Upgrades	Safety upgrades to City Hall to meet pandemic operational needs	\$300,000	CIC review and recommendation
Weekes Branch Feasibility Assessment	Initial assessment of facility needs for Weekes Branch Library	\$40,000	CIC review and recommendation
Fire Training Center Funding Gap	Fire Training Center funding gap, if needed	\$1,600,000	CIC review and recommendation
<b>TOTAL</b>		<b>\$3,240,000</b>	

***B. Address Negative Impacts Caused by the Public Health Emergency***

<b>Project</b>	<b>Description</b>	<b>Year 1 Appropriation</b>	<b>Outreach &amp; Review</b>
Economic Development Business Recovery	Various economic development recovery programs over 3 Years	\$1,000,000	CEDC and Business Survey
Extend Navigation Center Hotel Annex Program	Extend the existing Navigation Center hotel annex program for an additional 1.5 years with a focus on populations most vulnerable to COVID	\$2,000,000	HHTF and Let's House Hayward Plan process
Expand Winter Warming Shelter Year-Round	Expand the winter warming shelter to be a year-round shelter, including daytime hours	\$1,645,000	HHTF and Let's House Hayward Plan process
Shallow Subsidies for Homelessness Prevention	Provide shallow flexible subsidies targeted to the households most vulnerable to homelessness as a key prevention strategy	\$500,000	HHTF and Let's House Hayward Plan process
Hayward Navigation Center Contribution	Use stimulus funding to contribute \$1 million to the existing Navigation Center instead of the General Fund to provide greater fiscal stability to the City	\$1,000,000	HHTF
Foreclosure Legal and Financial Assistance	Implementation of legal and financial assistance for low-income homeowners at risk of foreclosure	\$1,000,000	HHTF
Relocation Assistance for Displaced Tenants	Implementation of an emergency fund for displaced tenants	\$250,000	HHTF
Hotel Vouchers for Encampment Abatements	Hotel vouchers for unhoused individuals who are displaced due to abatement of unsafe and illegal encampments	\$50,000	Council
Encampment Clean-Ups	Provide clean-up and maintenance of unsafe and illegal encampments, when appropriate and necessary	\$250,000	Council
Mobile Pressure Washer for Encampment Clean-Up	Purchase of a specialized pressure washer that can access	\$50,000	CIC review and recommendation

	encampment areas		
Operation Clean Sweep – Citywide Enhanced Clean-Up	Provide enhanced clean-up and maintenance efforts throughout the City with a focus on gateways, and commercial districts and corridors	\$100,000	Council
<b>TOTAL</b>		<b>\$7,845,000</b>	

**C. Replace Lost Public Sector Revenue**

Project	Description	Year 1 Appropriation	Outreach & Review
Replacement of Lost Public Sector Revenue	Consistent with methodology provided by the Treasury Guidelines, the replacement of lost public sector revenue due to the COVID crisis	\$7,250,000	Council
<b>TOTAL</b>		<b>\$7,250,000</b>	

**D. Invest in Water, Sewer, and Broadband Infrastructure**

Project	Description	Year 1 Appropriation	Outreach & Review
Tech Lending Library	500 Chrome Books/hot spots and data plans for 3 years to expand broadband access to Hayward residents	\$388,000	CIC review and recommendation
Corporation Yard Renovation	Commence implementation of significant renovations to Corporation Yard to support utility infrastructure work	\$200,000	CIC review and recommendation
<b>TOTAL</b>		<b>\$588,000</b>	

Additionally, as shown on Attachment III, there are projects that were removed from the draft expenditure plan because they are ineligible based on the Guidelines and/or other funding sources were found to pay for them.

In response to direction provided by Council Committees and the Community Services Commission in May and June, staff made key changes to the draft Expenditure Plan as summarized in the table below:

**SUMMARY OF KEY CHANGES IN RESPONSE TO COMMITTEE AND COMMISSION REVIEW**

Direction	Meeting	Change
Provide information on other unfunded City building facility needs and a list of contingency projects or options to be considered for funding as part of future stimulus funding review	CIC: May 26th	The draft Expenditure Plan in Attachment III includes a list of contingency projects comprised of unfunded City building facility needs based on the most recent needs assessments. These projects could

and appropriation by Council		be re-prioritized or funded with future unspent funds as part of future stimulus reviews and appropriations by Council.
Add funding for Animal Control facility renovations, if possible	CIC: May 26th	\$300,000 was added to the draft Expenditure Plan in FY24 for funding and an additional \$450,000 was added to the contingency project list in Attachment III.
Support for finding contingency funding for renovations to the existing police facility, if stimulus funding becomes available	CIC: May 26th	\$3.3 million for expansion of the locker rooms in the existing police building was added to the contingency project list in Attachment III.
Support for adding daytime hours to the year-round warming shelter project	HHTF: June 3 <sup>rd</sup>	Daytime hours were added to the year-round warming shelter project in the draft Expenditure Plan, which decreased the duration of the shelter from two years to just over one year, due to the added cost of providing operations during daytime hours.
Need more community outreach and engagement before implementing a wealth-building reparations program for Black households	HHTF: June 3 <sup>rd</sup>	The draft Expenditure Plan in Attachment III includes a potential wealth-building and/or first-time down payment assistance program eligible to all low-income households not just Black households starting in FY24. Extensive community outreach will be performed and further Council and legal feedback sought to design this program, including whether to target just Black households as part of a reparations program.
Invest in broadband infrastructure and bridging the Digital Divide, especially for our most vulnerable communities	Council: April 6 <sup>th</sup> April 27 <sup>th</sup>  CIC: May 26th	The draft Expenditure Plan in Attachment III includes \$388,000 towards a Tech Lending library to expand broadband access to Hayward residents, as well as technological infrastructure upgrades to City facilities to expand reliable broadband access to all City facilities. Attachment VI includes a summary of other efforts underway throughout the City to expand broadband access to the City's most vulnerable communities.
Allocate stimulus funding for community nonprofits through the FY23 community agency process	Community Services Commission: May 19 <sup>th</sup> June 16th	After extensive deliberation, the Community Services Commission decided to integrate the \$500,000 in staff recommended stimulus funding for community nonprofits with the upcoming FY23 community agency funding process, if approved by Council. The draft Expenditure Plan includes \$500,000 for community nonprofits in FY23 consistent

		with the direction provided by the Community Services Commission.
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Attachment IV provides a more detailed summary of comments, staff responses, and changes made to the draft Expenditure Plan.

If Council adopts the resolution approving the draft Expenditure Plan for the entire \$38 million in stimulus funding and appropriating \$18.9 million in stimulus funding for Year 1 projects and programs contained in Attachment III, staff will commence implementation of Year 1 projects and programs immediately. Staff will return to the Council for 6-month expenditure and programmatic reviews, including any further budget appropriations or future amendments.

**ECONOMIC IMPACT**

As described above, the City and local community have experienced adverse economic impacts related to the COVID crisis. The expenditure of stimulus funding over the next 3.5 years will make a substantial difference in helping the local economy recover from the pandemic.

**FISCAL IMPACT**

The COVID crisis has resulted in significant fiscal impacts to the City of Hayward and its employees. 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 has already received its first payment of stimulus funding of \$19 million from the federal government. Based on a specified methodology contained in the Guidelines, the City is projected to have experienced a total loss of public sector revenue of approximately \$14.5 million by the end of the previous fiscal year attributable to the pandemic, which will be repaid to the City from stimulus funding over the next two fiscal years in two equal payments of \$7.25 million. The proposed Year 1 appropriation outlined in this staff report and Attachment III is \$18,900,000. The expenditure of the entire \$38 million in stimulus funding over the next 3.5 years will significantly help the City to stabilize its operations and fiscal situation.

**STRATEGIC ROADMAP**

Although this agenda item supports all of the Strategic Priorities in the City’s approved Strategic Roadmap, it is not currently a specific project within the final Roadmap.

**NEXT STEPS**

If Council adopts the resolution approving the draft Expenditure Plan for the entire \$38 million in stimulus funding and appropriating \$18.9 million in stimulus funding for Year 1 projects and programs contained in Attachment III, staff will commence implementation of Year 1 projects and programs immediately. Staff will return to the Council for 6-month

expenditure and programmatic reviews, including any further budget appropriations or future amendments.

*Prepared and Recommended by:* Jennifer Ott, Assistant City Manager  
Dustin Claussen, Finance Director

Approved by:

A handwritten signature in black ink, appearing to read 'K McAadoo', written in a cursive style.

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Kelly McAadoo, City Manager