



City of Huntington Beach

File #: 21-588

MEETING DATE: 9/7/2021

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Oliver Chi, City Manager

PREPARED BY: Oliver Chi, City Manager

Subject:

American Rescue Plan Act (ARPA) Spending Plan Review and Allocation

Statement of Issue:

In March 2021, the American Rescue Plan Act (ARPA) of 2021 was signed into law. That particular piece of Federal legislation included state and local coronavirus recovery dollars, which will provide Huntington Beach with \$29.6 million in stimulus funding to offset fiscal impacts experienced from the COVID-19 pandemic.

Based on ARPA funding guidelines, the City will have broad latitude in determining how to expend these Federal funds, and to help determine how to prioritize those expenditures, the City Council established an ARPA Fund Ad-hoc Subcommittee on June 1, 2021. That committee, consisting of Mayor Carr, Mayor Pro Tem Delgleize, and Council Member Moser, has met on several occasions to review and discuss possible uses of ARPA dollars, in an effort to establish a recommended preliminary prioritization of how recovery dollars could be expended.

Of note, ARPA requires that the City develop this general, nonbinding prioritization of expenditures to be incurred with Federal stimulus dollars. Further, pursuant to the ARPA guidelines, the \$29.6 million in funding must be used on eligible costs and encumbered no later than December 31, 2024.

Financial Impact:

There is no financial impact associated with approving a preliminary prioritization of possible expenditures utilizing ARPA funds. The City Council's ultimate decision regarding the use of the \$29.6 million must be made by December 31, 2024, and will be appropriated as various projects are brought forward for formal consideration. If approved, the proposed ARPA funding recommendations are nonbinding, and can be adjusted and modified to meet evolving community needs by the City Council.

Recommended Action:

Approve the proposed ARPA funds spending plan for Huntington Beach, and direct staff to prepare the necessary budget appropriate documents to facilitate the adopted program.

Alternative Action(s):

N/A

Analysis:

ARPA Background

On March 11, 2021, President Biden signed the American Rescue Plan Act (ARPA) of 2021 into law, which allocated \$1.9 trillion in economic recovery funding for families, businesses, schools, and governments impacted by the COVID-19 public health crisis. Of that total amount allocated, \$350 billion was reserved for state, local, territorial and tribal governments, in an effort to support pandemic response efforts, bring back jobs, and lay the groundwork for a strong and equitable recovery.

Pursuant to that legislation, the City is scheduled to receive \$29.6 million (\$29,606,925) in funding, 50% of which was received on May 16, 2021 as the first installment. The second and final installment is expected to be received by the City in 2022. These funds must be used on eligible costs no later than December 31, 2024.

Eligible Use of Funding

While the City has broad flexibility to decide how best to use the funding to meet community needs, the ARPA legislation specifically identified the following as ineligible uses:

- To offset a reduction in tax revenues resulting from a change in law, regulation, or administrative interpretation
- Deposits into a pension fund for the purpose of reducing UAL (unfunded accrued liabilities)
- Funding debt service
- Funding legal settlements, judgements, or consent decree
- Deposits into a rainy-day fund or financial reserves

Given these ineligible use restrictions, preliminary ideas to place a portion of our ARPA money into a savings account cannot be instituted. However, pursuant to the program guidelines, the City may use these funds to do the following:

- Replace lost public sector revenues, using this funding to provide government services to the extent of the reduction in revenue experienced during the pandemic
- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries, and the

public sector

- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks during this public health crisis
- 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

Utilizing a “*Public Revenue Loss Calculator*” developed by the League of California Cities and California Society of Municipal Finance Officers (CSMFO), the City has identified a \$42.5 million loss in revenues when compared with our pre-COVID-19 fiscal condition. This means that the City can use the entire \$29.6 million that we are set to receive in ARPA funding through the “*Replace Lost Revenues*” category and that the City has wide latitude regarding how to deploy the funds based on City Council direction.

Process & Discussion

To develop a proposed ARPA spending plan, the City Council established a three-person City Council Ad-hoc Subcommittee in June 2021. The ARPA subcommittee subsequently met on July 26 and August 5, 2021, to develop and review a list of potential projects that either addressed immediate, current needs of the City, or constituted a transformative, “*Plan for the Future*” project with long-term positive community impacts. Staff also engaged different departments to gather information and input on potential projects / programs for further funding consideration.

In developing the proposed Allocation Plan, Staff and the Ad-hoc Subcommittee worked to prioritize that projects aligned with the City’s strategic plan and policy priority areas, which are 1) Community Engagement, 2) Homelessness Response, 3) Economic Development & Housing, 4) Infrastructure & Parks, and 5) COVID-19 Response. Additionally, the Committee ensured that proposed projects reflected the community’s needs and interests, were feasible within the ARPA funding guidelines / timeframes, and advanced the City’s overall goals. Projects / programs that would incur significant ongoing financial commitments were also avoided, given the one-time nature of the funds available.

Utilizing that assessment framework, the Subcommittee identified the a series of initiatives for recommended funding that either address current needs, or advanced initiatives that help plan for significant future community improvements. A list of the potential projects associated with the proposed ARPA funding allocation plan is outlined in the table below.

Of note, the projects and costs highlighted below represent rough estimates, and once the priority projects are finalized by the Council, staff will develop and present more concrete budget allocation plans as each initiative is matured. Further, the proposed funding recommendations are nonbinding, and can be adjusted and modified to meet evolving community needs by the City Council.

<i>Addressing Current Needs</i>	<i>Project Type</i>	<i>Estimated Cost</i>
Downtown Revitalization Improvements	Planning	\$ 1,750,000

Police Technology Infrastructure Improvement	Capital	\$ 3,000,000
Parks Upgrade - Carr Park	Planning	\$ 326,925
Oak View Rising Program Implementation	Planning + Capital	\$ 2,000,000
Public Safety Equipment (USAR Truck, Rescue Boat)	Capital	\$ 2,000,000
Senior On-To-Go Transportation Improvement	Capital	\$ 280,000
Talbert Channel Multi-Use Recreation Trail Project	Planning	\$ 300,000
CURRENT NEEDS FUNDING ALLOCATION		\$ 9,656,925
<i>Planning For The Future</i>	<i>Project Type</i>	<i>Estimated Cost</i>
Comprehensive Homeless Response Plan Implementation	Planning + Capital	\$ 2,500,000
DBFOM Major City Facility Upgrade Project Planning	Planning	\$ 3,200,000
Permanent Supportive Housing	Capital	\$ 2,500,000
Grown HB Fund - NDC 3:1 Match	Capital	\$ 2,000,000
HB Community Impact Loan Fund	Capital	\$ 1,000,000
Economic Development Fund	Capital	\$ 2,000,000
Broadband Infrastructure Improvements	Capital	\$ 1,000,000
World Skate Skatepark Development Planning	Capital	\$ 750,000
Mobility & Sustainability Capital Improvements	Planning + Capital	\$ 2,000,000
Joint Youth Training Center for Police / Fire	Capital	\$ 2,000,000
Arterial Beautification	Capital	\$ 1,000,000
PLANNING FOR THE FUTURE FUNDING ALLOCATION		\$ 19,950,000
GRAND TOTAL		\$ 29,606,925

Additional preliminary details related to each of the proposed initiatives recommended for ARPA funding are outlined below.

Policy Direction #1: Address Present Needs

1. *Downtown Revitalization Improvements - \$1,750,000*

To develop final plans for reconfiguring the broader downtown resort district, including enhancements to Main Street, while investing in improvements to enhance connectivity and revitalize businesses and activities.

2. *Police Technology Infrastructure Improvement - \$3,000,000*

To upgrade HBPD's Computer Aided Dispatch (CAD) & Records Management Systems (RMS) technology infrastructure for police department response.

3. *Carr Park Upgrades - \$326,925*

Fund development of final plans for Carr Park improvements, to include addressing accessibility issues throughout the park, improved access around the fishing pond, and new

themed play equipment.

4. *Oak View Rising Program Implementation - \$2,000,000*

As part of the City's "Oak View Rising" efforts, to fund implementation efforts associated with livability / landscape improvements, parking impact mitigation, community center facility planning, and youth programming efforts.

5. *Public Safety Equipment - \$2,000,000*

To purchase an Urban Search and Rescue (USAR) truck, one (1) Lifeguard Rescue Vessel, and one (1) new Dive Team vehicle for the HBFD.

6. *Senior On-To-Go Transportation Improvement - \$280,000*

To replace four (4) old Voyager Commercial Side-Entry vans for the Seniors-on-the-Go Transportation Program, which provides free, accessible door-to-door rides to HB residents 60+ years to essential and life enriching services.

7. *Talbert Channel Multi-use Recreation Trail Project - \$300,000*

The Talbert Channel, managed by the OC Flood Control District, accepts runoff from HB and nearby cities before draining into the ocean. The Channel presents a possible recreational opportunity, bypassing and connecting schools and public areas before reaching the HB Wetlands and State Beach off PCH. This funding will facilitate planning efforts to develop a possible recreational path on the existing levy systems maintenance roads, in conjunction with the OC Flood Control District.

Policy Direction #2: Plan for the Future

1. *Comprehensive Homeless Response Plan Implementation - \$2,500,000*

To utilize the City's existing navigation center site to develop a first of its kind healing center campus facility that embeds medical, behavioral health, recuperative care, and respite housing, options that integrate into broader Be Well continuum of mental health / substance abuse care.

2. *DBFOM Major City Facility Upgrade Project - \$3,200,000*

With the Police Department, Lake Fire Station, and Civic Center all in need of major facility repairs, this effort will fund the preliminary planning work associated with our proposed DBFOM major City facility upgrade project. Through this initial effort, the City will be able to fund site assessment work, facility master planning, and conceptual design efforts.

3. *Permanent Supporting Housing Project - \$2,500,000*

In order to make a significant difference in homelessness, the City needs additional Permanent Supportive Housing (PSH) units. This funding will facilitate the production of additional PSH units in the City.

4. *Grown HB Fund - \$2,000,000*

To create a City loan program to be administered through the National Development Council (NDC). NDC will provide a 1:3 match based on the City's initial investment, and funding can be used to support existing mid-sized qualified businesses as they look to expand within the City.

5. *HB Community Impact Loan Fund - \$1,000,000*

Through the NDC, this effort would create a *HB Community Impact Loan Fund*, which would provide loan funding for start-ups and smaller, less established businesses where borrowers are making 80% of the Area Median Income (AMI) or less.

6. *Economic Development Fund - \$2,000,000*

With the elimination of redevelopment agencies, establishing this fund would help support local business expansion efforts, with a particular focus on environmental mitigation, and addressing possible Measure C related issues.

7. *Broadband Infrastructure Improvements - \$1,000,000*

The City is currently conducting an overall Citywide broadband infrastructure planning effort. This funding would be set-aside for use towards infrastructure implementation to improve broadband access in City locations impacted by the digital divide.

8. *World Skate Skatepark Development Planning - \$750,000*

To facilitate City skatepark planning efforts, including the possibility of bringing Olympics LA 2028 action sports to HB (for skateboarding, surfing, and BMX), this funding would be set-aside to ascertain the feasibility of developing local Olympic-quality recreational facilities.

9. *Mobility & Sustainability Capital Improvements - \$2,000,000*

To fund the development of mobility capital improvement programs to enhance pedestrian, bicycle and school safety Citywide.

10. *Joint Youth Training Center for Police & Fire - \$2,000,000*

This funding would be allocated to build a new Joint Youth Training Center on the CNET training ground with new Fire and Police equipment to develop a two-track program that provides vocational and educational pathways for local students and underserved youth.

11. *Arterial Beautification - \$1,000,000*

This project would set-aside funding to implement enhanced medians and landscaping along arterial street corridors in the City.

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Environmental Status:

Not applicable.

Strategic Plan Goal:

Organizational Fiscal Stability

COVID-19 Response

Attachment(s):

1. PowerPoint Presentation