



Potential Funding Available in the Coronavirus Relief Fund

This report provides City Council with a projection on funds that may be available to be reprogrammed within the Coronavirus Relief Fund (CRF) Strategic Plan. Because of tight timelines, it is unlikely that all of the programs approved by City Council will be fully expended by the Treasury Department's Dec. 30, 2020 deadline. As a result, staff estimates that \$27 to \$34 million in CRF may be available for reprogramming. Stimulus discussions currently taking place at the federal level include a potential extension of the CRF deadline from Dec. 30, 2020 to Dec. 30, 2021. However, under current legislation, any CRF funding unspent by Dec. 30, 2020 must be returned to the U.S. Treasury.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

Staff will continue to refine this range and in early December identify a final amount that could be used to further offset Public Safety salaries which would free up additional General Fund (GF) resources. The freed up GF resources could then be used to address issues determined to be high priority by City Council but that required more time than available under the CRF deadline of Dec. 30, 2020. Stimulus discussions currently taking place at the federal level include a potential extension of the CRF deadline from Dec. 30, 2020 to Dec. 30, 2021. However, under current legislation, any CRF funding unspent by Dec. 30, 2020 must be returned to the U.S. Treasury.

On March 27, 2020 the CARES Act was signed into law to address the economic fallout resulting from the COVID-19 pandemic in the United States. The bill is the largest economic bill in United States history totaling over \$2.1 trillion. The CARES Act provides different types of funding for which local governments can apply for funding to offset COVID-19 related expenses. As a large city with a population in excess of 500,000, Phoenix was awarded a direct allocation of \$293 million in Coronavirus Relief Funds. The CRF is intended to cover only those costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. On May 5, City Council approved a plan to allocate the CRF into three major categories:

- Community Services - \$75 million
- City Operations - \$75 million
- Reserve to Preserve City Services - \$143 million

Community Services - \$75 million

The Community Services portion of CRF was allocated to projects related to the health and safety of residents, small business assistance, and other social assistance programs. Programmatic expenditures under Community Services were broken down into seven distinct sections:

Business Assistance - \$15.7 million

The original strategic plan allocated funds to assist small business, restaurants, airport concessionaires, and local artists and arts organizations deal with the impact and aftermath of COVID-19. Based on projections of funding awarded to date and a minor modification to expand the small business relief fund program beyond low income census tract areas, staff expects that all funds within this category will be spent by December 30.

Utility & Rent/Mortgage Assistance - \$30 million

The original strategic plan allocated \$24 million to residential utility and rent/mortgage assistance for Phoenix residents and \$6 million for commercial city services assistance. Staff is confident that Wildfire and the partner agencies will disperse all of the residential utility and rent/mortgage assistance funding. However unlike the residential program, funding for the commercial assistance program has been difficult to disperse because many small commercial companies do not have a city services bill in their name. Their city services and other utilities are often included as part of their rent. As a result, approximately \$5.8 million will remain unspent and should be reprogrammed immediately to address other City Council and community priorities.

Distance Learning and Wi-Fi Access - \$3.3 million

The original plan included funding to address Wifi in public facilities, tablets for public housing residents, and a broader attempt to bridge the citywide digital divide. Based on the work completed to date and as last reported to City Council on September 22, staff expects that all funds under this category will be fully expended by December 30.

Mitigation and Care for Vulnerable Populations - \$10 million

Under this portion of the strategic plan, funding was allocated to address a number of important community issues including refugee and asylum seeker assistance, domestic violence, human trafficking, landlord and tenant assistance, heat relief and seniors. To address these areas the city partnered with a number of established

nonprofit organizations. As reported to City Council on September 22, most of these funds have been awarded and are being actively used by the nonprofit organizations to deliver services. Projects for senior center modifications have been identified and will be completed by December 30 pending availability of equipment and materials. The \$1 million allocated for refugee relief grants could prove difficult to spend by December 30 and may need to be reallocated in the near future. Additionally, the extension of the summer respite center through September will require an additional allocation of approximately \$300,000.

Food Delivery - \$5 million

Under this portion of the strategic plan, City Council allocated \$3.3 million for food banks and congregate meal delivery for seniors and \$1.7 million for community based food distribution programs. As reported last month this program is expected to be fully expended well in advance of the December 30 deadline.

Better Health Outcomes and Community Testing - \$5 million

Funding in this category was used to purchase masks for the community, PPE for schools, contract with healthcare connectors, and to conduct community testing events through December 30. At this time all funds are expected to be spent and an additional \$600,000 to \$1 million may be needed to continue community testing through December 30.

Unallocated Funds - \$6 million

Funding in this category was intentionally left unallocated in case City Council had to address any unexpected community needs. At this point in time, these funds remain fully intact and should be programmed immediately.

Based on projected spending in the Community Services Programs, there could be as much as \$12 to \$14 million available for reprogramming.

City Operations - \$75 million

The City Operations portion of CRF was allocated to projects related to the health and safety of employees and residents conducting business in city facilities and the overall continuity of safe city operations during and post COVID-19. Programmatic expenditures under City Operations were broken down into six distinct sections:

Employee Testing - \$6 million

In response to the COVID-19 pandemic, the City partnered with local providers to offer COVID-19 testing to employees and their immediate family members. Testing for both active virus and antibodies is an essential tool for controlling the spread of the virus in the community. Projected spending totals approximately \$3.2 million which would

leave \$2.8 million potentially unspent.

PPE/Cleaning/Sanitizing - \$20 million

To ensure that City staff and contractors are properly protected from exposure to COVID-19 we have attempted to order and maintain an adequate supply of personal protective equipment (PPE) and have adopted an enhanced cleaning schedule. Given the demand for PPE across the country we have experienced significant disruptions in the PPE supply chain. Projected spending totals approximately \$19 million which would leave \$1 million potentially unspent.

Medical/Public Safety Measures - \$5 million

This allocation was intended to provide resources needed to address enforcement of public health orders, parks and recreation enforcement of park closures and restrictions and other public health needs. Projected spending in this category totals approximately \$3 million which would leave \$2 million potentially unspent. However it is important to note that additional needs may surface after city facilities have reopened.

Payroll Expense Reimbursement - \$19 million

This allocation was set aside to offset costs associated with staff that have been diverted from their normal job to a COVID-19 response function and the costs associated with recouping COVID-related leave that was over and above budgeted levels as required by the federal guidance. To date these costs have been fairly minimal and projected spending totals approximately \$4 million. If this trend continues there would be as much as \$15 million available to reprogram to support other City Council priorities.

Facility Retrofit - \$10 million

The CRF plan also included funding to ensure that city facilities would be safe for residents and those doing business inside city facilities. The plan included physical changes to customer counters, lobbies, waiting areas, employee work spaces, bus entryways, conference rooms, and other retrofits to city facilities. The plan also called for the retrofit of the existing fleet of 500 buses to install bus operator safety shields. The shields provide a safe barrier between drivers and passengers at the entryway of the bus. Barrier installations will need to be customized according to various bus types and sizes. Projected spending totals approximately \$4 million however an additional \$2 million is needed for technology needs in city facilities and will be reallocated from this category leaving \$4 million potentially unspent. However it is important to note that additional needs may surface after city facilities have reopened.

Telework/E-Government - \$15 million

Prior to COVID-19, City staff were working on a telework pilot program. When the Governor issued stay-at-home orders in March, staff immediately went to work by getting as many employees as possible outfitted with city-issued devices to safely work from home. Since March, nearly 30 percent of the workforce (more than 3,200 employees) have been teleworking. Additionally, staff have been extremely busy ordering and deploying technology necessary to enhance city operations during the pandemic. Based on the approved projects, staff has determined that the full \$15 million allocation plus an additional \$2 million will be needed. The additional funds will be reallocated from the "Facility Retrofit" category discussed above.

Based on projected spending in the City Operations Programs, there could be as much as \$15 to \$21 million available for reprogramming.

Public Safety Salary Offset - \$143 million

On June 30, City Council approved using the \$143 million CRF Reserve to offset Public Safety Salaries and thereby preserving city services. To ensure full compliance with federal guidance, staff split the \$143 million reserve into two transactions, \$57 million for March through June (2019-20) and \$86 million for July through December (2020-21). From these transactions, the GF will receive approximately \$121 million and the three dedicated public safety funds (Proposition 301, Public Safety Enhancement and Proposition 1) will receive approximately \$22 million. The transfer of these one-time resources into the GF and public safety funds are expected to preserve services that would have been reduced due to the negative impact of COVID-19 on city revenues.

Potential Areas for Additional Funding

Given the limitations and deadlines on spending CRF funds, potential funding opportunities should be limited to those that can be administered quickly and fully expended by Dec. 30, 2020. The following areas have been suggested as potential funding opportunities:

- Additional Food Assistance
- Additional Homelessness Funding
- Support for US Vets
- Additional Rent/Mortgage Assistance
- Landlord Assistance
- Job Training Programs
- Additional PPE for Schools
- After-School Programs

- AZ Humane Society

In addition to the areas listed above, there is also the option to further offset more public safety salaries in the General Fund. By using CRF to offset public safety salaries, GF resources would be freed up to address needs and programs that could not be addressed by the Dec. 30, 2020 deadline.

Responsible Department

This item is submitted by Deputy City Manager Jeff Barton and the Finance and Budget and Research departments.