



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Amendments to Resolution 88574 to
assure compliance with American
Rescue Plan Act (ARPA) regulations

DATE: June 15, 2021

City Administrator Approval

Date: Jun 17, 2021

RECOMMENDATION

Staff Recommends That The City Council Approve A Resolution:

- (1) Amending And Superseding Resolution No. 88574 C.M.S. Which, Among Other Things, Created The American Rescue Plan Act (“ARPA”) Fund (Fund 2072), Accepted And Appropriated The Anticipated Award Of ARPA Funds, And Amended The Fiscal Year (“FY”) 2020-21 Midcycle Budget;**
- (2) Creating The American Rescue Plan Act (“ARPA”) Fund (Fund 2072) From Which No Expenditures Shall Be Made Except For The Purpose And In The Manner Specified By The City Council Following A Public Process And Public Vote Pursuant To Charter Section 806;**
- (3) Accepting And Appropriating The Anticipated Award Of ARPA Funds To The City Of Oakland (“City”) In An Estimated Amount Of One Hundred Eighty-Eight Million Eighty-One Thousand Seven Hundred Dollars (\$188,081,700) To The ARPA Fund (Fund 2072);**
- (4) Authorizing The City Administrator To Take Any And All Actions Necessary To Receive ARPA Funds Awarded To The City;**
- (5) Amending Resolution No. 88174, Which Adopted The Fiscal Year (“FY”) 2020-21 Midcycle Budget Adjustments, To Allocate ARPA Funds In An Amount Not To Exceed Thirty-Six Million Six Hundred Thirty Thousand Dollars (\$36,630,000), Ten Million Dollars (\$10,000,000) Received From The Oakland-Alameda County Coliseum Joint Powers Authority, And Twenty-Five Million Five Hundred Thousand Dollars (\$25,500,000) In General Purpose Fund Local Tax Revenues Forecasted To Be Received By Fiscal Year-End, To:**
 - (A) Balance The FY 2020-21 Budget By**
 - (i) Closing The Deficit In The General Purpose Fund (Fund 1010);**

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- (ii) Closing The Deficit In The Office Of Parks And Recreation Cultural Advisory (“OPRCA”) Self-Sustaining Revolving Fund (1820), The Measure Z Violence Prevention And Safety Act Of 2014 Fund (2252), And The Measure C Transient Occupancy Tax (“Tot”) Surcharge Fund (2419); And
- (B) Align The General Purpose Fund (Fund 1010), The Office Of Parks And Recreation Cultural Advisory (“OPRCA”) Self-Sustaining Revolving Fund (1820), The Measure Z Violence Prevention And Safety Act Of 2014 Fund (2252), And The Measure C Transient Occupancy Tax (“TOT”) Surcharge Fund (2419) With Revenue And Expenditures Forecasted For Said Funds In The Second Quarter (“Q2”) Revenue And Expenditure Report Attached To This Resolution As Exhibit 1;
- (C) Restore Services Affected By Fiscal Year 2020-21 Administrative Reduction Actions As Set Forth In Exhibit 2 To This Resolution;
- (D) Fund Services That Are Needed To Address The Negative Health, Safety, Welfare, And Fiscal Effects Of The Pandemic As Set Forth In Exhibit 2 To This Resolution; And
- (E) Make Such Additional Or Alternative Adjustments To The FY 2020-21 Budget As May Be Determined To Be Necessary Or Appropriate By The City Council;
- (6) Authorizing, Pursuant To Section 1, Part D Of The City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.), The Use Of One-Time Revenues For The Purposes Specified In Exhibit 2 To This Resolution And/Or Such Additional Or Alternative Adjustments To The FY 2020-21 Budget As May Be Determined By The Council;
- (7) Allocating Gas Tax, Road Maintenance And Rehabilitation Funds (Fund 2232), Measure BB Funds (Fund 2218) And Comprehensive Cleanup Funds (Fund 1720) From Fund Balance In The Estimated Amount Of One Million Six-Hundred Sixty-Nine Thousand, Nine-Hundred Ninety-Nine Dollars (\$1,669,999.00) To Meet Vital Community Needs As Set Forth In Exhibit 2; And/Or Such Additional Or Alternative Adjustments To The FY 2020-21 Budget As May Be Determined By The Council;
- (8) Clarifying That Any New Funds That Have Not Been Previously Budgeted, Shall Be Appropriated And Allocated Through A Public Process By City Council With A Public Vote Pursuant To Charter Section 806; And
- (9) Directing The City Administrator To Seek And Develop Proposed Uses For Federal, State, Or Other Funding Available For The Acquisition And Development Of Non-Congregate Shelter Units To Be Converted To Permanent Affordable Housing, And To Return To The City Council To Authorize Expenditures For Such Purpose For Specific, Identified Properties; And

(10) Directing The City Administrator To Present, As Part Of The Fiscal Years 2021-23 Biennial Budget Process, A Resolution Creating The General Purpose Fund Emergency Reserve Fund And Fully Fund The General Purpose Fund Emergency Reserve Fund In Accordance With Section 2, Part A Of The Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.)

EXECUTIVE SUMMARY

Resolution 88574 C.M.S. was adopted by City Council on April 12, 2021 and included directions on the use of the City's anticipated allocation of Local Fiscal Recovery Funds under the American Rescue Plan Act (ARPA), among other actions. On May 10, 2021 the U.S. Treasury released interim regulatory guidance on ARPA's Local Fiscal Recovery Fund which explicitly prohibited the use of funds for the replenishment of reserves or rainy day funds. Approval of this new Resolution will affirm all prior actions in Resolution 88574 C.M.S. with the exception of actions related to the replenishment of reserves from ARPA funds in the Fiscal Year (FY) 2020-21 Budget. Additionally, this Resolution follows the direction provided by City Council in Resolution 88574 C.M.S., appropriating \$25.5 million additional, unexpected General Purpose Fund revenues received through May 2021.

The ARPA funds appropriated in FY20-21 will be used to replace revenue losses experienced by the City during the COVID-19 pandemic to fund eligible governmental services, while the City's own revenues will be used to replenish reserves. These actions are intended to fulfill the intent of City Council under Resolution 88574 C.M.S. while assuring the City's continued compliance with federal regulations.

BACKGROUND / LEGISLATIVE HISTORY

On March 11, 2021, ARPA was signed into law by President Joseph R. Biden. Section 9901 of ARPA amended Title VI of the Social Security Act to add section 603, which establishes the Coronavirus Local Fiscal Recovery Fund. The Local Fiscal Recovery Fund is intended to provide support to local governments in responding to the impact of COVID-19 and in their efforts to contain COVID-19 in their communities. The Local Fiscal Recovery Fund builds on and expands the support provided by the federal government over the last year, including through the Coronavirus Aid, Relief, and Economic Security (CARES) Act's Coronavirus Relief Fund.

The U.S. Treasury released its Interim Final Rule on the Local Fiscal Recovery Fund on May 10, 2021. The rule expresses the Administration's intent to focus uses of these funds on pandemic response and the provision of government services. The use of funds for such purposes as tax reductions, extraordinary pension fund payments, debt service payments, and the replenishment of reserves is expressly prohibited as unrelated to pandemic response or the provision of government services.

ANALYSIS AND POLICY ALTERNATIVES

The Interim Final Rule sets clear restrictions on the use of Local Fiscal Recovery Funds but offers local governments substantial flexibility to offset losses of non-federal revenue during the pandemic. The regulations provide detailed directions on the calculation of revenue loss and permit local governments to use Local Fiscal Recovery Funds to fund general services up to this amount. The City's revenue losses, per U.S. Treasury's definitions, exceeded \$95 million through December 2020 and additional substantial revenue losses are expected to be recorded at future measurement points in December 2021, 2022, and 2023. These provisions make it possible for the City to direct ARPA funds to address FY2020-21 revenue shortfalls and to use the City's own revenues to replenish reserves. In addition, they would allow City Council to allocate Local Fiscal Recovery Funds to support general services and address gaps in the FY 2021-23 Biennial Budget if desired.

FISCAL IMPACT

Approval of this resolution will allow the City to comply with U.S. Treasury regulations on allowable uses of \$188,081,700 in Local Fiscal Recovery Funds. The direction from City Council in 88574 C.M.S. to replenish reserves in FY 2020-21 will be maintained, but the City's own revenues will be used for this purpose while federal revenues will now fund general services. Additionally, approval of this Resolution will appropriate an additional \$25.5 million of unexpected General Purpose Fund revenues received through May 2021 to offset FY 2020-21 expenditures that were to be funded with ARPA revenues.

PUBLIC OUTREACH / INTEREST

No outreach was conducted for this revision to 88574 C.M.S. as it is intended to make technical corrections to comply with federal regulations while maintaining City Council priorities for ARPA funding.

COORDINATION

This report was prepared by the Finance Department with input from the Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: Adoption of this resolution would promote the City's compliance with federal ARPA regulations and protect the City from potential disallowances on future expenditures of Local Fiscal Recovery Funds.

Environmental: There are no environmental opportunities associated with this action.

Race & Equity: Adoption of this resolution would have no direct impacts on race and equity but would support sustainable opportunities provided for in 88574 C.M.S. and future City Council budget actions.

ACTION REQUESTED OF THE CITY COUNCIL

Staff recommends that the City Council approve a resolution:

1. Amending and superseding Resolution No. 88574 C.M.S. which, among other things, created the American Rescue Plan Act (“ARPA”) Fund (Fund 2072), accepted and appropriated the anticipated award of ARPA Funds, and amended the Fiscal Year (“FY”) 2020-21 Midcycle Budget;
2. Creating the American Rescue Plan Act (“ARPA”) Fund (Fund 2072) from which no expenditures shall be made except for the purpose and in the manner specified by the City Council following a public process and public vote pursuant to Charter Section 806;
3. Accepting and appropriating the anticipated award of ARPA funds to the City of Oakland (“City”) in an estimated amount of one hundred eighty-eight million eighty-one thousand seven hundred dollars (\$188,081,700) to the ARPA Fund (Fund 2072);
4. Authorizing the City Administrator to take any and all actions necessary to receive ARPA funds awarded to the City;
5. Amending Resolution No. 88174, which adopted the Fiscal Year (“FY”) 2020-21 Midcycle Budget Adjustments, to allocate ARPA funds in an amount not to exceed thirty-six million six hundred thirty thousand dollars (\$36,630,000), ten million dollars (\$10,000,000) received from the Oakland-Alameda County Coliseum Joint Powers Authority, and twenty-five million five hundred thousand dollars (\$25,500,000) in General Purpose Fund local tax revenues forecasted to be received by fiscal year-end, to:
 - (A) Balance the FY 2020-21 Budget by
 - (i) Closing the deficit in the General Purpose Fund (Fund 1010);
 - (ii) Closing the deficit in the Office Of Parks And Recreation Cultural Advisory (“OPRCA”) Self-Sustaining Revolving Fund (1820), the Measure Z Violence Prevention and Safety Act of 2014 Fund (2252), and the Measure C Transient Occupancy Tax (“TOT”) Surcharge Fund (2419); and
 - (B) Align the General Purpose Fund (Fund 1010), the Office Of Parks And Recreation Cultural Advisory (“OPRCA”) Self-Sustaining Revolving Fund (1820), the Measure Z Violence Prevention And Safety Act Of 2014 Fund (2252), and the Measure C Transient Occupancy Tax (“TOT”) Surcharge Fund (2419) with revenue and expenditures forecasted for said funds in the second quarter (“Q2”) Revenue And Expenditure Report attached to this resolution as Exhibit 1;

- (C) Restore services affected by Fiscal Year 2020-21 administrative reduction actions as set forth in Exhibit 2 to this resolution;
 - (D) Fund services that are needed to address the negative health, safety, welfare, and fiscal effects of the pandemic as set forth in Exhibit 2 to this resolution; and
 - (E) Make such additional or alternative adjustments to the FY 2020-21 Budget as may be determined to be necessary or appropriate by the City Council;
6. Authorizing, pursuant To Section 1, Part D of the City Of Oakland Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.), the use of one-time revenues for the purposes specified in Exhibit 2 to this resolution and/or such additional or alternative adjustments to the FY 2020-21 Budget as may be determined by the Council;
 7. Allocating Gas Tax, Road Maintenance And Rehabilitation Funds (Fund 2232), Measure BB Funds (Fund 2218) and Comprehensive Cleanup Funds (Fund 1720) from fund balance in the estimated amount of one million six-hundred sixty-nine thousand, nine-hundred ninety-nine dollars (\$1,669,999.00) to meet vital community needs as set forth in Exhibit 2; and/or such additional or alternative adjustments to the FY 2020-21 Budget as may be determined by the Council;
 8. Clarifying that any new funds that have not been previously budgeted, shall be appropriated and allocated through a public process by City Council with a public vote pursuant to Charter Section 806; and
 9. Directing the City Administrator to seek and develop proposed uses for federal, state, or other funding available for the acquisition and development of non-congregate shelter units to be converted to permanent affordable housing, and to return to the City Council to authorize expenditures for such purpose for specific, identified properties; and

Edward D. Reiskin, City Administrator

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10. Directing the City Administrator to present, as part of the Fiscal Years 2021-23 Biennial Budget Process, a resolution creating the General Purpose Fund Emergency Reserve Fund and fully fund the General Purpose Fund Emergency Reserve Fund in accordance with Section 2, Part A of the Consolidated Fiscal Policy (Ordinance No. 13487 C.M.S.)

For questions regarding this report, please contact Stephen Walsh, Controller, at (510) 238-4906.

Respectfully submitted,



[Erin Roseman \(Jun 17, 2021 15:13 PDT\)](#)

Erin Roseman
Director of Finance
Finance Department

Prepared by:
Stephen Walsh
Controller
Controller's Bureau

City Council
June 24, 2021

