



MEMORANDUM

TO: Mayor and Council

FROM: Kerri Lang, Interim Budget Officer

DATE: June 4, 2021

SUBJECT: Update on the City's Finances Related to the American Rescue Plan Act Spending Framework

The purpose of this memorandum is to provide updates related to the FY21 General Fund reserves, the revised American Rescue Plan (ARP) spending framework, and timelines for budget and spending plan decisions.

General Fund Reserves Update

The initial staff spending plan for the continued support of the city's COVID-19 response, [submitted to Council on March 12, 2021](#), included the use of \$40.6 million in General Fund Reserves based on initial estimates of available reserves. Through the [FY22-FY26 Financial Forecast Report](#), staff provided an update to the available General Fund Reserves lowering the available amount from \$40.6 million to \$28.4 million.

American Rescue Plan (ARP) spending plan

The initial staff spending plan discussed above also included a proposed spending framework for the American Rescue Plan (ARP) Act funds that the City anticipated receiving under the State and Local Federal Recovery Fund (SLFRF). This plan was the culmination of conversations with Council and over 125 stakeholder engagement sessions across the span of the pandemic. It continued to build on the key priorities established by Council, with the addition of support for programs funded through Hotel Occupancy Taxes (HOT) due to the significant decline in this revenue stream as a result of the impacts on the travel and entertainment industry.

Staff presented an updated framework for the ARP on May 18, 2021 based on council priorities provided in [Resolution No. 20210325-111](#). The updated framework below includes reallocating \$4.7 million from staff recommended contingency funds to Proposition B Implementation and Capacity Building efforts.

	2021	2022	Total
	ARP	ARP	
Public Health Response			
COVID response	\$44.3*		\$44.3
Economic Recovery Resources			
Navigators	\$0.5*		\$0.5
Homelessness	\$21.9	\$62.1	\$84.0
Prop B Implementation & Capacity Building	\$4.7		
Early Childhood Care & Education	\$1.3	\$6.2	\$7.5
Workforce Development & Jobs	\$8.0		\$8.0
Food & Housing Insecurity	\$2.0	\$1.0	\$3.0
HOT-funded Services			
Cultural Arts Fund	\$3.9	\$3.9	\$7.8
Historic Preservation Fund	\$5.0	\$5.0	\$10.0
Live Music Fund	\$1.1	\$1.1	\$2.2
Immediate Relief Needs			
Colony Park Sustainable Community	\$1.5		\$1.5
Rent/RISE		\$0.8	\$0.8
Contingency (10%)		\$14.1	\$14.1
Total Spending	\$94.2	\$94.2	\$188.4

**ARPA funding previously appropriated by Council at the May 6, 2021 meeting*

Staff launched two items on the June 10, 2021 agenda that will allow council to approve a spending plan for ARP funds and a budget amendment to appropriate the funds needed to provide immediate relief to the community up to the remaining \$49.4 million available from the first tranche of ARP. It is important to note that the City will receive a total of \$188.4 million in ARP funding which is \$7.3 million less than originally anticipated and is reflected in the budget amendment action that will be presented for council consideration.

Timelines for Budget and Spending Plan decisions

As staff continues to prepare the FY22 Proposed Budget several new state laws recently passed have a direct impact on city revenue and the overall structure of the budget for FY22 and beyond. In order to ensure a full understanding of the implications, staff's recommendation is to make decisions regarding utilization of reserves during the proposed budget process.

cc: Spencer Cronk, City Manager
 Deputy and Assistant City Managers
 Ed Van Eenoo, Chief Financial Officer
 Veronica Briseño, Economic Recovery Officer