




## MEMORANDUM

**TO:** Mayor and Council Members

**FROM:** Ed Van Eenoo, Chief Financial Officer 

**THROUGH:** Veronica Briseño, Assistant City Manager

**DATE:** May 6, 2022

**SUBJECT:** **FEMA Reimbursement and American Rescue Plan Act Update**

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The purpose of this memo is to provide an update on the City's COVID-related spending, FEMA reimbursement, and American Rescue Plan Act (ARPA) spending to date. Staff continue to actively manage the complicated financial interactions between the General Fund Reserves and anticipated reimbursements from the federal government to ensure we are maximizing the use of ARPA dollars to achieve the greatest possible impact for our community.

### **Total COVID Spending to Date**

From the onset of the pandemic in March 2020 through December 31, 2021, the first quarter of the City's 2021-22 Fiscal Year, expenditures related to the City's response to the COVID-19 pandemic have totaled \$535.6 million. On an annual basis, the City expended \$246.2 million in Fiscal Year 2019-20, \$253.2 million in Fiscal Year 2020-21, and \$36.2 million through the first quarter of Fiscal Year 2021-22. Of the total \$535.6 million, \$286.2 million has so far been covered by other funding sources, including:

- \$261.3 million reimbursed by the federal government through funding provided by the CARES Act;
- \$12.0 million from the Federal Emergency Management Agency's (FEMA) Public Assistance Program;
- \$11.5 million covered by funding provided through the American Rescue Plan Act of 2021 (ARPA); and,
- \$1.4 million reimbursed by miscellaneous federal and state grant funds.

Of the remaining \$249.4 million, \$96.6 million has been identified as potentially eligible for reimbursement by FEMA, and the City is working with its outside advisor, Hagerty Consulting, to facilitate reimbursement of these funds. It is important to note that FEMA reimbursement only covers expenses that are unbudgeted – a large percentage of the \$249.4 million includes budgeted personnel costs for staff who were deployed to work on COVID response. The balance of COVID-related expenditures—\$152.8 million—has been funded by ongoing City revenue sources, primarily the General Fund and its reserve funds, is not eligible for FEMA reimbursement, and consists largely of previously budgeted staff coding their time devoted to COVID-19 response activities.

**FEMA Reimbursement**

Through early March, the City has received \$12 million in COVID-19-related reimbursements from FEMA, the entirety of which is associated with the expedited vaccination program. The City has identified an additional \$96.6 million of COVID-19 related expenditures that may be eligible for reimbursement under the FEMA Public Assistance program and which are summarized in the table below.

Potentially Eligible Costs by Mission Area	Approved by FEMA	Potentially Eligible Costs*	Submitted to FEMA	Upcoming Submissions
Protective Lodges		\$22,543,024		\$6,296,459
Isolation Facilities		\$17,053,383		\$9,822,026
COVID Vaccination Sites	\$12,038,712	\$6,556,669		
Citywide COVID Testing (including lab test diagnostics)		\$16,643,623	\$6,783,593	
Emergency Operations Centers		\$12,503,681		
Alternate Care Sites		\$7,200,887		
Communications of health/safety information to the public		\$5,514,415		
PPE/sanitizing products (not associated with response sites)		\$3,153,679		
Safe opening and operation measures		\$2,091,253		
Social Distancing Measures		\$1,982,707		
EMS Specialized Medical Equipment		\$1,031,787		
Medical transport and other potential costs		\$367,953		
<b>Total</b>	<b>\$12,038,712</b>	<b>\$96,643,061</b>	<b>\$6,783,593</b>	<b>\$16,118,485</b>

The City's Cost Recovery Team, in partnership with various City stakeholders, is actively validating these expenditures and aligning them with the FEMA requirements with respect to formulating and submitting requests for Public Assistance (PA) grants. While City staff have taken every appropriate measure to ensure that expenditures meet eligibility criteria, comply with FEMA rules, and are extensively documented, it is not expected that 100% of potentially eligible costs will be reimbursed. Based on guidance from Hagerty Advisers, it is projected that submittal of these \$96.6 million in expenditures could net up to \$90 million in reimbursement. However, some core critical cost recovery caveats for the FEMA PA program include:

- Only FEMA can determine final eligibility of any of the City's costs submitted for reimbursement under the PA program;
- Procurement methodologies of services provided by outside vendors can impact eligibility of the related expenses (even if the services themselves are deemed eligible);
- FEMA’s determination of the “cost reasonableness” of services will impact eligibility of the related expenses, even if the services themselves are deemed eligible and even if procurement methodologies were in alignment with federal guidance;
- Costs that FEMA deems to be ineligible, unreasonable, already budgeted, or without sufficient detail and documentation will be removed from reimbursement; and,
- Reimbursements will be reduced based on any residual value of purchases.

The City's costs for operating the ProLodges program carry a particularly high risk of being determined ineligible. The FEMA Region Six Office does not recognize homeless individuals as high-risk for COVID-19, has indicated that allowing individuals to freely come and go from the ProLodges does not ensure safety and therefore makes the program ineligible, and has determined that stays beyond fourteen days are ineligible. The City has followed Public Health Authority and CDC guidance and believes the FEMA interpretation is inconsistent with this guidance, specifically with respect to health equity, and is inconsistent in its application of FEMA PA reimbursement criteria for similar non-congregate shelters operations elsewhere in the nation. The City continues to meet with FEMA on these points, as well as engaging its Congressional representatives to advocate on our behalf. It should be noted that FEMA Region Six has interpreted the eligibility requirements for reimbursement more stringently than other regional offices across the nation. Staff is actively working with our federal delegation to address the varying interpretations in hopes of receiving reimbursement for these costs.

The White House recently directed FEMA to continue reimbursing eligible COVID-19 response costs at 100% until July 1, 2022 and require submission of all related expenses by December 31, 2022. FEMA is understaffed, particularly given the unprecedented scale of this event and their need to address other disasters that have happened during the pandemic. As the City submits projects and their associated expenses, FEMA examines all expenditure transactions and supporting documentation, and this process is expected to take a significant amount of time. Staff currently project that reimbursements for many projects may not be received until Fiscal Year 2024 or beyond.

### **General Fund Reserves**

The delays associated with reimbursement from FEMA mean that the General Fund Emergency Reserve has had to cover the City's COVID-related expenditures in the interim. In Fiscal Year 2021, the Emergency Reserve absorbed \$50.3 million in unbudgeted expenditures, and it is currently anticipated that an additional \$19.8 million will be booked to the Emergency Reserve in Fiscal Year 2022. The bulk of these expenses are related to Austin Public Health and Homeland Security and Emergency Management's response to the pandemic through testing and vaccination sites, community education, marketing and engagement and the associated public health infrastructure required for tracking and reporting. This approach is consistent with the [COVID-19 funding strategy](#) presented to Council near the beginning of the pandemic. It is anticipated that most of these expenses will be included in the City's request for reimbursement from the federal government.

General Fund reserves ended Fiscal Year 2021 at \$165.8 million, which represents a reserve ratio of 14.3%. This marks a 2.3 percentage point *increase* in General Fund reserves since the start of the pandemic. However, because of net budgeted outflows as well as the anticipation of covering the additional \$19.8 million in as-yet unreimbursed COVID expenses, the General Fund is currently projected to close Fiscal Year 2022 at a reserve ratio of 13.6%. To restore General Fund reserves to the 14% level dictated by City financial policy, the Fiscal Year 2023-2027 Five-Year Financial Forecast includes a one-time transfer of \$10.6 million to reserves in Fiscal Year 2023. The projected transfer amount will be updated in the FY23 Proposed Budget to reflect any new financial information that is available at that time. As FEMA reimbursements begin to be received—likely in Fiscal Year 2024 and later years—these funds will be booked to the Emergency Reserve.

### **American Rescue Plan Act (ARPA) Framework Update**

The City received a total allocation of \$188.4 million in funding from the federal government through the ARPA, which Council appropriated through the approved spending framework across six major

service areas: Health, Economic Development, Resilience, Creative Sector, Emergency Relief and Homelessness. Through the guidance of the approved spending framework, the final funding appropriation for Fiscal Years 2020-21 and 2021-22 was approved as indicated in the table below. Through early March, the City has spent or encumbered \$26.3 million, or 14%, of these funds. Federal guidelines dictate that all ARPA funds must be expended by December 31, 2024.

	<b>FISCAL YEAR21 Appropriation</b>	<b>FISCAL YEAR22 Appropriation</b>	<b>Expenditures</b>	<b>Encumbrances</b>	<b>Total Obligated</b>
<b>1</b> ARP Emergency Response	<b>6,000,000</b>	<b>0</b>	<b>194,948</b>	<b>53,247</b>	<b>248,194</b>
<b>2</b> ARP Medical and Public Health Needs	<b>39,800,000</b>	<b>0</b>	<b>2,545,252</b>	<b>496,502</b>	<b>3,041,754</b>
<b>3</b> ARP Economic Support	<b>36,700,000</b>	<b>10,682,478</b>	<b>12,148,713</b>	<b>5,929,605</b>	<b>18,078,318</b>
<b>4</b> ARP Homelessness	<b>11,700,000</b>	<b>83,600,000</b>	<b>4,883,601</b>	<b>62,625</b>	<b>4,946,226</b>
<b>TOTAL</b>	<b>94,200,000</b>	<b>94,282,478</b>	<b>19,772,514</b>	<b>6,541,978</b>	<b>26,314,492</b>

*Emergency Response*

The ARPA spending framework allocated \$6 million in funding to Emergency Response, all of which was dedicated to the Homeland Security and Emergency Management Office (HSEM) for COVID-19 emergency response expenses that are outside the eligibility, reasonableness, or documentation criteria for reimbursement through the FEMA Public Assistance program. Through December 2021, HSEM has obligated approximately \$250,000 of this funding on personal protective equipment and emergency response procedures. An additional \$1 million of funding will be utilized in the first half of Fiscal Year 2022-23 for expensed related to logistics transportation, emergency equipment at the Alternate Care Site, and expense compilation. The remaining funding is available to defray past or future expenses that are not reimbursed by FEMA but which meet ARPA guidelines.

*Medical and Public Health Needs*

In the ARPA spending framework, Council approved funding of \$39.8 million for Medical and Public Health Needs, including \$38.3 million for Austin Public Health (APH) initiatives and \$1.5 million to be administered by the Economic Development Department (EDD) for a Health and Wellness Center in the Colony Park Sustainable Community.

Through early March, APH has obligated \$3.1 million of the allocated ARPA funding for response-related activities, with a projection of spending an additional \$3.4 million through the end of Fiscal Year 2021-22. Major planned expenditures through the end of the fiscal year include the cost of temporary staff currently covered by FEMA reimbursement which is anticipated to expire on July 1, and the annual renewal for Austin Health Force licenses in June. APH has developed a full spending plan related to COVID response as described in the Austin Public Health Planned Use of ARP Funding [memo](#). Financial Services Department-Budget (FSD-Budget) will continue to monitor COVID related and FEMA approved expenditures and work with APH to ensure funds remain available for use should a surge require the use of the ARPA funds.

EDD has extended its timeline for expenditures of \$1.5 million in funding to support the development of a Health and Wellness Center in the Colony Park Sustainable Community due to continuing negotiations with Central Health and Catellus and the need to finalize and execute legal agreements with these

partners. ED currently anticipates spending \$0.5 million in Fiscal Year 2021-22 and the remaining \$1 million in Fiscal Year 2022-23.

### *Economic Support*

The ARPA spending framework allocated \$47.4 million in funding for economic support initiatives, including \$31.9 million to be administered by the Economic Development Department, \$9.7 million by APH, \$3.5 million by the Office of Sustainability, \$1.9 million by the Parks and Recreation Department, and \$400,000 by the Financial Services Department's Telecommunications and Regulatory Affairs Division.

Economic Development's allocation of \$31.9 million included \$15.6 million for workforce development, \$12 million for assistance to the creative sector, \$3.3 million for childcare service provider assistance, \$500,000 for the Community Navigator program, and \$500,000 for a food security access initiative.

- EDD has obligated \$8.1 million in workforce development funding, including a \$1.5 million contract with Capital Idea to deliver training and supportive services to low-income students pursuing a career in healthcare, and a \$6.6 million contract with Workforce Solutions Capital Area for workforce development training for low-income Austin residents experiencing unemployment or underemployment. \$1 million of the workforce development funding is scheduled to be devoted to the Austin Civilian Conservation Corps, but work on this initiative has not yet begun. The department is currently working to issue additional Requests for Proposals to expend the remaining \$6.5 million in workforce development funding and anticipates returning to Council in eight-to-twelve months.
- EDD has spent \$11.9 million of the \$12 million allocated to creative sector assistance, including \$5.9 million for local arts and cultural contractors, \$4.0 million for music industry workers and live music venues, and \$2.0 million for local non-profit arts and culture organizations.
- EDD developed a \$3.3 million contract with Workforce Solutions Capital Area Workforce Board for the provision of early childhood education, care, and support for families seeking workforce development services.
- The Community Navigator program—which helps support local businesses, non-profit organizations, and creative professionals impacted by the COVID-19 pandemic by offering application assistance and technical assistance for local, state, and federal relief programs—will begin accepting clients this month, with \$450,000 in funding through contracted providers. An additional provider's \$50,000 contract will be executed in alignment with the launch of various art grants applications and is anticipated to occur this summer.
- EDD currently anticipates returning to Council on July 28 to approve a contract with a consulting team that can lead community organizing, conduct a business and feasibility analysis, and pilot a community-owned grocery store concept in an underserved area of Austin to address food security in the community.

APH's \$9.7 million spending framework allocation for economic support included \$7.7 million for childcare service provider assistance and \$2 million for food security initiatives. Through early March, APH has obligated \$3.7 million of the allocated funding for childcare service provider assistance, including for previously executed contracts with Del Valle ISD and the United Way for Greater Austin, and for pending contracts with Workforce Solutions Capital Area, Any Baby Can, the Texas Association for the Education of Young Children, and Austin ISD, which will be brought before Council for approval over the next several months. APH has expended \$56,844 of the allocated ARPA funding for Food Security activities, with projected additional spending of \$620,000 through the end of the Fiscal Year.

Ultimately, the department intends to expend \$1 million on personnel expenses to leverage the federal WIC program and the Neighborhood Centers partnership with the Amazon food delivery services to ensure more families have access to nutritious food. The remaining \$1 million will be dedicated to agreements with non-profit organizations to provide emergency food access to address the public health impact of COVID-19 related to household food insecurity. APH has encountered challenges in hiring staff to assist with the food delivery services of WIC and the Neighborhood Centers, as well as with the staffing capacity to develop and release the ARPA Food Access solicitation given the numerous solicitations the department is managing this Fiscal Year.

The Office of Sustainability is managing \$3.5 million in economic support, including \$3 million to support the development of resilience hubs, and \$500,000 to develop a comprehensive food system plan. Resilience Hubs are networks of community-focused physical facilities that on a day-to-day basis provide services that help build community resilience, but which can also be activated to provide community support during disaster events. Office of Sustainability staff continue to collaborate with City departments, Austin Independent School District (AISD) and Travis County to stand-up Resilience Hubs in Austin and Travis County. No funding has been obligated for this initiative thus far, but staff are currently drafting proposals to hire a consultant to assist in the community engagement process for the implementation of pilot Resilience Hubs in six Austin neighborhoods. The Office of Sustainability Office is also working to develop a comprehensive food system plan to holistically assess baseline conditions, identify opportunities and provide a blueprint to guide food system goals, activities, and investments. Through March, no funding has been obligated but the Office anticipates Fiscal Year 2021-22 spending to total \$130,000, including \$100,000 for a food planning consultant and \$30,000 for a temporary employee.

The Parks and Recreation Department (PARC) received \$1.8 million of the framework for the Austin Civilian Conservation Core (ACCC) in addition to one-time funding in the Fiscal Year 2022 budget to continue the work of the program. To date, the department has focused its spending on the available one-time funding with plans to use the ARPA funds in the coming fiscal years.

Financial Services Department – Telecommunications and Regulatory Affairs (TARA) is managing \$400,000 ARPA funding for a new workforce development program, Austin Film Society (AFS) Creative Careers, which equitably connects locals from a diversity of backgrounds to jobs in film and creative media industries through stipend-paid pathways and free training. Through early March, \$38,500 has been spent on salaries to build out the new program. At the end of November, AFS hired veteran filmmaker and educator Rakeda L. Ervin as Director of Community Education, a position created to spearhead the Workforce Development program and to direct educational programming across AFS. AFS has launched the pilot program with five paid interns; it is currently hiring additional program staff and will be launching the next group of 15 interns in the April timeframe. TARA anticipates the entirety of this funding to be expended by the end of the fiscal year.

### *Homelessness*

The ARPA spending framework allocated \$95.3 million for homelessness: the first allocation of \$11.7 million was released in Fiscal Year 2020-21 and \$83.6 million will be released in Fiscal Year 2021-22. APH has conducted two solicitations this year, one for Housing Stabilization services for \$45 million and another for Crisis Response services for \$9 million. A third solicitation will be released in late May for \$8.9 million for Supportive Services. The Homeless Strategy Office (HSO) has obligated \$4.9 million of its share of funding, including \$4.75 million in ARPA funds to rehabilitate and convert two hotels into

Permanent Supportive Housing units for people experiencing homelessness. The remainder of HSO's obligated funding has been used for operations at Northbridge and Southbridge.

**Conclusion**

The City continues managing its efforts in COVID response and will adjust service levels as needed should another surge impact our community. Any COVID related expenses beyond July 1 will require ARPA or local funding support. To date, staff does not anticipate the need for additional ARPA funding to address COVID response; however, should the need arise, staff will make recommendations to reallocate the spending framework for these efforts.

Financial Services Department-Budget will continue to work with City departments on COVID expenditures and ARPA spending. If you have any questions, please do not hesitate to reach out to me or Budget Officer Kerri Lang at [kerri.lang@austintexas.gov](mailto:kerri.lang@austintexas.gov).

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