



Legislation Text

File #: 24-0786, **Version:** 1

Chief Administrative Office recommending the Board:

- 1) Receive a presentation on the County's allocation of \$37.6 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) and provide direction, if needed, on recommended changes to the Board's spending plan;
- 2) Direct staff to return to the Board with a budget transfer to allow the County to report the use of \$10 million of ARPA SLFRF as lost revenue to ensure compliance with reporting requirements and to reflect the updated spending plan; and
- 3) Authorize the Chief Administrative Officer to adjust allocation amounts between Board-approved projects in the spending plan to ensure all funds are obligated by the obligation deadline.

FUNDING: American Rescue Plan Act State and Local Fiscal Recovery Funds.

DISCUSSION / BACKGROUND

Background

In March of 2021, the American Rescue Plan Act (ARPA) was signed into law, allocating \$1.9 trillion to aid in recovery from the impacts of the COVID-19 pandemic. A portion of this allocation was designated for use under the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program, which provides a direct allocation of funding to counties and cities.

El Dorado County received a \$37.46 million ARPA SLFRF allocation and a \$870,850.48 ARPA Local Assistance and Tribal Consistency Fund (LATCF) allocation, while the City of South Lake Tahoe was allocated approximately \$5.3 million, and the City of Placerville was allocated approximately \$2.6 million. Additionally, the Governor allocated \$100 million in ARPA funds to support special districts throughout the state. In November 2021, the Board approved an initial allocation of ARPA funding based upon the eligible expenditures as outlined in the U.S. Treasury's Interim Final Rule that was released in May 2021 (Legistar Item 21-1680).

In April 2022, the U.S. Treasury released the 2022 Final Rule which established a standard allowance for revenue loss of up to \$10 million, which allows recipients to select between a standard amount of \$10 million in revenue loss or complete a full revenue loss calculation. Recipients who choose to use the standard allowance may use it for any government services other than those specifically deemed ineligible by the U.S. Treasury.

In April 2023, the Board approved an updated SLFRF spending plan and the use of the LATCF funding for General Fund governmental operations in the Fiscal Year 2023-24 Budget, with the resulting savings being moved to the General Fund Audit Designation (Legistar item 23-0771).

The Consolidated Appropriations Act (CAA), enacted in 2023, outlines additional eligible expenditure categories for SLFRF funding. The CAA allows for the use of SLFRF funds to provide aid following natural disasters, occurring after December 29, 2022. The CAA also allows jurisdictions to provide funding for eligible infrastructure projects, as well as to satisfy non-federal share requirements for certain Surface Transportation projects or to repay a loan provided under the Transportation

Infrastructure Finance and Innovation Act (TIFIA) program. SLFRF funds can also be used for activities under section 105(a) of the Housing and Community Development Act of 1974 (Title I projects), which are eligible activities under the Community Development Block Grant (CDBG) and Indian Community Development Block Grant (ICDBG).

In November 2023, the U.S. Treasury issued the Obligation Interim Final Rule (IFR), which elaborated upon the definition of obligation as it pertained to the use of SLFRF. The Obligation IFR states that recipients of SLFRF must obligate their funds by December 31, 2024, and expend the funds by December 31, 2026 (except for projects under the Surface Transportation projects and Title I eligible use categories, which must be expended by September 30, 2026). The Obligation IFR also establishes that recipients may use SLFRF funds for eligible personnel costs beyond the December 31, 2024, obligation deadline by entering into interagency agreements.

The U.S. Treasury has outlined specific reporting requirements for SLFRF funds with some eligible categories, like lost revenue, having easier reporting requirements than other categories, like Water, Sewer, and Broadband Infrastructure projects. Staff have reviewed U.S. Treasury updates on reporting requirements to ensure projects will meet reporting requirements.

Follows is a summary of allocations for each category.

Public Health Emergency & Negative Economic Impacts

The County can use SLFRF funds to meet the public health and economic needs of those impacted by the pandemic in their communities, as well as address longstanding health and economic disparities, resulting in more severe pandemic impacts. The eligible use category to respond to public health and negative economic impacts is organized around the types of assistance a recipient may provide and includes several sub-categories: public health, assistance to households, assistance to small businesses, assistance to nonprofits, aid to impacted industries, and public sector capacity.

The following Board-approved projects in the Public Health Emergency and Negative Economic Impacts category have not changed: El Dorado County Fair Association economic impacts (\$1,190,000), nonprofit pandemic lost revenue grants (\$1,200,932), small business lost revenue grants (\$2,121,128), fire districts pandemic response (\$500,000), CalTahoe pandemic response (\$183,000), El Dorado Hills CSD pandemic impacts (\$33,000), Behavioral Health system pandemic impacts (\$6,414,000), Public Health impacts and address health disparities (\$2,201,840), Sheriff's Office defibrillators in vehicles (\$185,000), and Youth and Families Commission system improvements support (\$100,000).

The Board had approved that \$1,000,000 of ARPA funding be used for the development of a Crisis Residential Treatment facility. The scope of this project has changed and is now being partially funded with other funding, so only \$150,000 of this allocation will be needed. The \$850,000 in savings is being reallocated to other projects such as the Building C ventilation system improvements and the County Service Area (CSA) 3 ambulance services system.

In 2022, the Chief Administrative Office Facilities Division made improvements to the Building C ventilation system to increase the air flow and rate of movement through protective filters. This \$248,810 project is eligible for ARPA SLFRF funding as an improvement of ventilation systems in congregate settings.

In FY 2022-23 with Legistar item 23-1081, the Board approved a \$1,025,000 contribution to the County Service Area (CSA) 3 ambulance services system. The pandemic impacted the ambulance system in the Tahoe Basin with changes in ambulance use and rates of payment. The \$1,025,000 was originally planned as a General Fund Contribution, but as this was a pandemic impact on the ambulance system, it is proposed that ARPA SLFRF funding be used. The Board already approved a \$2,120,707 use of SLFRF funding for the CSA 3 ambulance system, bringing the total ARPA SLFRF allocation to \$3,145,707.

In order to meet the basic needs of individuals residing in the County and pursuant to El Dorado County Ordinance Chapter 2.63 relative to General Relief Regulations, Health and Human Services Agency (HHS) administers the County's General Assistance (GA) Program. This program is entirely funded through the General Fund unless the applicant becomes eligible for benefits under Supplemental Security Income (SSI) and State Supplementary Payment (SSP). HHS has calculated how the General Fund costs of this program have increased since the pandemic and estimated the increased costs for the remainder of the ARPA eligibility period. Staff are recommending that the Board allocate \$735,511 for the increased use of the General Assistance Program as a result of the pandemic.

The Community HUBS Program was a key resource for those impacted by the pandemic. The HUBS Program helped sign people up for vaccine appointments and navigated community members to resources and community programs. The HUBS Programs are partially funded by grants and other funding, but during the ARPA eligible period, there will be \$1,167,329 in expenses for the program that are not covered by other funding. Staff are recommending the HUBS program be partially funded by SLFRF funding as this has been a key resource for navigating vulnerable community members to services.

Water, Sewer, and Broadband Infrastructure

SLFRF funds may be used to make necessary investments in water, sewer, and Broadband infrastructure. There are no changes proposed for the following Board approved projects: Water Agency projects, South Upper Truckee water project, and Environmental Management headworks improvement project.

The \$4,500,000 allocated for broadband projects will no longer be needed. The funds were primarily allocated as a funding source for non-grant eligible costs for pending broadband grants. Updated cost estimates for pending grants show this funding is not needed. Staff are recommending this funding be reallocated to the County Service Area (CSA) 3 ambulance services system and HUBS projects and lost revenue category.

Program Administration

SLFRF funds may be used for a number of administrative processes and requirements, including the distribution of funds, timeline for use of funds, transfer of funds, treatment of loans, use of funds to meet non-federal match or cost-share requirements, administrative expenses, reporting on use of funds, and remediation and recoupment of funds used for ineligible purposes. The Board approved an allocation of \$778,746 for the costs of the Chief Administrative Office Central Fiscal Division to administer the ARPA funding including drafting and monitoring funding agreements and tracking and reporting expenditures. There are no recommended changes to this allocation.

Natural Disasters

Recipients may use SLFRF funds to provide emergency relief from natural disasters or the negative economic effects of natural disasters that occurred after December 29, 2022. The Caldor and Mosquito Fire occurred before the eligible period for this category. The 2022-23 winter storm emergencies occurred during the eligible period. It is recommended that the Board allocate \$52,000 to cover the cost of the Sheriff's Office response to these emergencies that are not eligible for FEMA reimbursement.

Surface Transportation Projects and Community Development

The County may use SLFRF funds for Surface Transportation projects and Title I projects that occurred after December 29, 2022. Additionally, the County may use SLFRF funds for Title I projects, which are the activities eligible under the CDBG and ICDBG programs that occurred after December 29, 2022. Due to the narrow scope of eligible projects and tight eligibility period, staff do not recommend that the Board allocate any funding to these spending categories.

Replacing Lost Public Sector Revenue

As discussed above, the County can allocate a standard amount of \$10 million in revenue loss. This is the easiest category to report as the County only has to show that the funding was used to fund government services. The Board had allocated the following projects to be reported as lost revenue to the strict eligibility requirements of the projects: Forebay Park improvements (\$3,000,000), construction of library rooms for services (\$77,100), partial costs of the acquisition of the Emerald Bay Property (\$1,777,100), and construction of the permanent navigation center (\$1,000,000).

The Board has allocated \$684,547 for an audit reserve that would be reported as lost revenue. Staff are recommending the Board rename the name be changed from audit reserve to General Fund Government Services and allocate the remaining \$2,121,350 in SLFRF funding. This will result in \$2,805,897 in funding available to fund General Fund government services and help with the County's current budget pressures.

SLFRF Reporting and Obligation Plan

All ARPA SLFRF funds must be obligated by December 31, 2024. If the funds are not obligated, the County runs the risk of needing to return funding to the U.S. Treasury. To create the greatest flexibility in reporting and obligating the funds, staff are recommending:

- The County reports the full \$10 million allowed under lost revenue using General Fund Capital investments that have already occurred. This will not change the Board approved spending plan but will change how the funds are reported to the U.S. Treasury.
- The Board delegates authority to the Chief Administrative Office to move funding between Board-approved projects to ensure the County will not return any SLFRF funds to the U.S. Treasury.

ALTERNATIVES

The Board could direct staff to allocate ARPA funding to different projects or direct staff to conduct further research and return to the Board.

PRIOR BOARD ACTION

See above.

OTHER DEPARTMENT / AGENCY INVOLVEMENT

The departments whose ARPA allocations are changing have worked with CAO staff to develop the proposed allocation.

FINANCIAL IMPACT

See above.

CLERK OF THE BOARD FOLLOW UP ACTIONS

N/A

STRATEGIC PLAN COMPONENT

The proposed ARPA spending plan contributes to the Safe and Healthy Communities goal of completing the navigation center and the County's value of Fiscal Responsibility.

CONTACT

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