

July 14, 2020

R-18

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Review a report on Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding and potential uses and provide input and policy direction; and,

Approve State CARES Act related budget appropriation adjustments for Fiscal Year 2020 across various departments and funds in accordance with existing City Council policy. (Citywide)

DISCUSSION

Since the declared health emergencies to respond to the COVID-19 pandemic (pandemic), the City's top priority has been to mitigate the risks to residents' health. However, there have been, and continue to be, high costs associated with that effort. To help offset the expenses related to this response, the City has actively advocated for an allocation of Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding from the State and County. This report provides an overview of CARES Act funding the City expects to receive and its recommended uses.

As of July 1, 2020, the City has incurred pandemic-related costs of \$14.9 million in the General Fund, with total expenditures across all funds of \$27.3 million and the City will continue to incur additional costs. These costs include emergency response staff and activities directed out of the Emergency Operations Center (EOC)/Incident Management Team (IMT), including pop-up homeless shelters, non-congregant sheltering for People Experiencing Homelessness (PEH), COVID-19 tests and testing sites, portable hand-sanitizing stations, food distribution activities, alternate care sites at the Long Beach Arena and Long Beach City College (LBCC) Liberal Arts Campus, and isolation and quarantine sites, among many other actions and activities. There are currently no projected end dates to these activities or their associated costs, and the needs and actions are constantly changing. In addition, the City is incurring costs related to the implementation of the Safer-at-Home Health Order (Health Order) and the associated changes to it as the City communicates with and interacts with businesses and the community.

External Funding

Without dedicated City funding specifically for the unexpected pandemic-related expenses and significant declines in revenue, identifying funding sources to offset these costs is vitally important to the City's fiscal health. Staff anticipates that FEMA will be a substantial source for recovery of some of the City's COVID-19 costs. However, there are significant restrictions on FEMA funding and a substantial amount of the City's COVID-19 costs will be ineligible for FEMA reimbursement, including straight-time for the large number of budgeted staff working on the pandemic response efforts. Mayor Garcia and City staff were successful in advocating

for State and County CARES Act funding after serious and ongoing negotiations with State and County officials. The CARES Act funds and other additional funding will help offset many City costs and will also help reduce the impacts of the pandemic to our residents and businesses.

CARES Act Funding

The CARES Act established the Coronavirus Relief Fund, which appropriated \$150 billion to states and certain local governments. Six California cities with populations over 500,000 received a direct CARES Act allocation. Falling just below the population threshold, the City did not receive a direct allocation from the federal government. In recognition of the needs of cities like Long Beach, Governor Newsom's May Revision of the State's Proposed FY 21 budget provides \$450 million to all cities that did not receive a direct allocation. Of these recipients, cities with populations above 300,000 will receive a direct allocation of CARES Act funds that had been allocated to the State. On June 30, 2020, the State Legislature approved the State budget, and allocated approximately \$40.3 million in CARES Act (State CARES Act) funding to the City. Under current Federal regulations, general CARES Act funds (including State CARES Act) must be spent by December 30, 2020, but the State has imposed much more stringent guidelines of September 1, 2020 to obligate the funds and October 30, 2020 to spend them or show that they will be spent by the end of the year.

The State CARES Act funds may help fund several City activities not supported by any other available external source. Examples include, but are not limited to, straight time for public safety, public health and similar employees whose services are "substantially" dedicated to the response effort, expenses to improve telework capabilities for public employees to enable compliance with COVID-19 public health precautions, and expenses for sanitization and enhanced cleaning of City facilities. State CARES Act funds may also be used to fund "second-order" effects of the pandemic, such as providing economic support to those suffering from unemployment or from business interruptions. The Governor's budget message stipulates that recipients of State CARES Act funds should prioritize the dollars to supplement existing efforts by counties and Continuums of Care to address the impacts of COVID-19 on people experiencing homelessness (PEH).

This State CARES Act funding source provides for a broader range of eligible activities than most other COVID-19 funding sources and will help reduce the budget shortfall in our current year (FY 20) and help prevent the new year's budget from having a larger shortfall by offsetting the cost of staff diverted to the response. It is important to note that State CARES Act funding cannot be used to offset government revenue shortfalls.

As described above, the City has received numerous other grants and funding associated with the COVID-19 pandemic. This Council Letter only focuses on the proposed uses for the State CARE Act funds. Other Council Letters will provide recommendations and appropriation authority for those monies.

Proposed Uses of State CARES Act Funds (\$40.28 million)

The City has several key goals in considering the most strategic use of State CARES Act funding:

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- Minimize the City's budget shortfall caused by the pandemic;
- Utilize the funds in a way to support critically needed activities and functions that are not supported by other funding sources; and,
- Use the funds in a way such that strategic combination with other available grants minimize the City's net costs related to pandemic response efforts and other associated costs.

A proposed plan has been developed and is included as Attachment A to meet these goals based on the final approved allocations and actual funding received. Staff have identified a list of activities and functions eligible for State CARES Act funds, based on the most current available guidance. Staff's recommendations have been organized under the following categories:

- City costs in response to the pandemic, including public health
- Community and residents support
- Business and economic resiliency support

This plan allocates specific dollar amounts for each program. The programs will be further refined as staff moves to implement new activities or continue the ongoing COVID response and will adjust, if additional funding sources become available, to achieve the maximum flexibility to best meet City needs.

As we move to implement new activities, staff will work to ensure compliance with the federal CARES Act regulations and ensure the necessary nexus to second-order effects of the COVID-19 emergency. The programs will be adjusted, as necessary, to ensure compliance and, if necessary, funding will be recommended to be reallocated between other eligible sources. It is also anticipated that in implementing the plan, State CARES Act funds will be technically allocated as much as possible to current City COVID-19 costs and that as a result, both State CARES Act funds and freed up General Fund or Health Fund monies will be used to implement the approved programs in the amounts indicated. These actions may serve to provide more flexibility in the timing necessary for expenditure of the funds and may reduce any reallocations that may otherwise be necessary for compliance reasons.

Other Funding

City staff have been researching, applying for, and tracking all available COVID-19 grant opportunities to maximize the City's access to available funding for emergency response and recovery activities. In recent weeks the City has learned that Long Beach will be receiving several large grants to support ongoing programs to address and lessen the impacts of COVID-19. Among these is a \$13 million allocation from Los Angeles County, Centers for Disease Control and Prevention's (CDC) Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases (ELC). The ELC provide support for a broad range of testing and epidemiological surveillance related activities over a 2.5-year period. Additionally, the City will be receiving \$13 million from the ESG Emergency Solutions Grants (ESG) from the U.S. Department of Housing and Urban Development (HUD) and \$1.8 million in ESG-CV, for a total of \$14.8 million in ESG grants. The ESG Funds will support emergency shelter, homeless prevention, rental assistance, street outreach, and administrative activities. HUD has also awarded the City \$3.6 million in round one of Community Development Block Grant –

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CARES (CDBG-CV) grant funds for tenant assistance. Additional CDBG-CV grant funds are expected in the future to assist with tenant assistance, per City Council's direction. The availability of this diverse array of funds will allow the City to provide supportive services across the broadest categories of needs within the community.

This matter was reviewed by Deputy City Attorney Taylor M. Anderson on July 3, 2020 and by Budget Analysis Officer Julissa José-Murray on July 2, 2020.

TIMING CONSIDERATIONS

City Council action is requested on July 14, 2020, to meet the State imposed deadline of September 1, 2020 to obligate funds and October 30, 2020 to spend the State CARES Act funds, return them, or request an extension.

To ensure funds are spent expeditiously and for the approved purposes, purchases will be eligible for, and as necessary, may be made under the process outlined in the Long Beach Municipal Code Procurement During a Declared Emergency (LBMC Chapter 2.85.050). Further, CARES Act funds, and any General Fund monies used for the approved activities, may be expended under the authority in Resolution RES-20-0049, allowing for the execution of all necessary documents, including subcontracts and any subsequent amendments, related to funding for financial assistance to respond to the proclaimed emergency due to the COVID-19 pandemic.

EQUITY LENS

As requested by the City Council on April 21, 2020, staff has incorporated the Equity Toolkit to inform a Health Equity Impact Analysis to guide the proposed community and economic support programs included in this recommendation. The Equity Team within the COVID-19 EOC has participated in listening sessions with the community, through which qualitative evidence and stories of the disproportionate impact of COVID-19 on Black, Indigenous, communities of color and low-income communities in Long Beach has been made clear. Quantitative data affirms this same finding.

As of June 30, 2020, data show that African Americans in Long Beach have experienced a disproportionately high number of COVID-19 hospitalizations, and Latinos have experienced a disproportionately high number of cases of COVID-19 compared to their proportion of the City's population. These data are consistent with the national COVID-19 Community Vulnerability Index (CCVI), which builds on the CDC's Social Vulnerability Index (SVI), a validated metric intended to help policymakers and public health officials respond to emergencies. The CCVI is based on 34 variables spanning six themes: (1) epidemiological factors; (2) healthcare system factors; (3) household composition and disability; (4) socioeconomic status; (5) minority status and language; and, (6) housing type and transportation. Compared against actual COVID-19 community spread cases, the CCVI has been shown to be valid for Long Beach. Census tracts most vulnerable to COVID-19, according to the CCVI, represent the highest COVID-19 community spread cases across Long Beach, to date. These census tracts represent predominantly low-income communities of color and span portions of Council Districts 1, 2, 4, 6, 7, 8, and 9.

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Within each approved program, an equity lens will be applied to effect implementation and include factors such as the CCVI, COVID-19 reported cases, age, race/ethnicity, sexual orientation and gender identity, neighborhood/zip codes, and quantitative and qualitative data about groups most impacted by COVID-19. Health inequities will be used in the development and implementation of each program to ensure the needs of the most adversely impacted communities are prioritized.

FISCAL IMPACT

The recommendation will allow for the immediate development and implementation of programs to provide much needed support to the Long Beach community to address various negative impacts of the pandemic. To avoid the possibility of having to return funds to the U.S. Treasury, the State has imposed a deadline of September 1, 2020 to obligate the CARES Act funds and October 30, 2020 to spend the funds or return them to the State for its use. Although staff has recommended CARES Act-eligible community and business support programs, it will take time to develop and implement these programs and there is risk that the City will not be able to meet the technical State deadlines to obligate and use the funds. In addition, it is not in the best interest of the community to spend all of the money by October 30, 2020, if needs exist beyond that time.

The City intends to take maximum advantage of Treasury guidance that allow COVID-19 related payroll costs to be charged to the CARES Act. The City will likely charge as much of these costs as allowed to the State CARES Act funds and free up some General Fund money to use for the approved programs and that will not have the related time restrictions. To minimize the likelihood of future compliance issues, staff expects to follow federal guidelines and timelines for the programs, as much as feasible, even though it may not be required.

Staff recommends allocating \$19.4 million of available funds to offset direct City costs associated with the response to the pandemic, including those enumerated above and additional response costs to be incurred through the end of the calendar year; \$14.4 million for community support programs; and, \$6.5 million in business support programs. The specific recommendations for the programs are detailed in Attachment A.

The following budget appropriation adjustments are necessary to implement the proposed projects and programs:

- Increase appropriations in the General Grants Fund Group in the Citywide Activities Department by \$40,280,494 to transfer State CARES Act funds to the General Fund Group for public health and public safety payroll costs substantially directed to the COVID-19 response, offset by the State allocation of U.S. Treasury Coronavirus Relief Funds.
- Increase appropriations in the General Fund Group in the Health Department by \$11,150,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.

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- Increase appropriations in the General Fund Group in the City Manager Department by \$1,700,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.
- Increase appropriations in the General Fund Group in the Economic Development Department by \$5,250,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.
- Increase appropriations in the General Fund Group in the Parks, Recreation and Marine Department by \$1,500,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.
- Increase appropriations in the General Fund Group in the Public Works Department by \$300,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.
- Increase appropriations in the General Fund Group in the Technology and Innovation Department by \$1,000,000 for one-time projects to relieve COVID-19 impacts in the community, offset by funds available in the General Fund Group made possible by the State allocation of U.S. Treasury Coronavirus Relief Funds.

Expenditure of the funds for the programs summarized in Attachment A will cross fiscal years. Staff will return in FY 21, to request that funds unspent as of September 30, 2020 (FY 20 year-end) are reappropriated into the FY 21 budget. This recommendation is anticipated to have no significant staffing impact. The actual implementation of the recommended programs is anticipated to have a substantial staffing impact beyond the normal budgeted scope of duties, but it is consistent with the existing City Council top priorities to address the COVID-19 pandemic and Reconciliation efforts. A positive impact on local jobs associated with several of the recommended programs is anticipated.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



THOMAS B. MODICA
CITY MANAGER

**LONG BEACH PROGRAM FUNDING
MADE POSSIBLE BY STATE CARES ACT ALLOCATION**

| <i>Dept.</i> | <i>Title</i> | <i>Description</i> | <i>Allocation</i> |
|--|---|---|---|
| CITY COVID RESPONSE | | | |
| XC | Costs for City Costs for COVID-19 Response | Offset the costs of City emergency response from March - December 2020, including staff costs not eligible for other funding. | 19,130,494 |
| | | | Total Cost City COVID Response \$ 19,130,494 |
| COMMUNITY SUPPORT - Recovery & Resiliency | | | |
| HE | Homeless Sheltering | Covers the congregate shelters like Silverado which are not FEMA eligible. Additional costs for navigation center (12 bed shelter for youth) and year-round shelter | 2,000,000 |
| HE | Housing Condition Improvements | Housing conditions exacerbate illnesses most related to COVID-19. This would include mold remediation, air ventilation, etc. in housing with greatest code enforcement complaints/largest overcrowding issues. Funds would go to remediation services. | 500,000 |
| HE | Basic Needs - Case Managers | The current warm line model for older adults helps connect people to resources. This expanded model includes staff support for responding to calls and helping to access needed services such as food, housing, insurance, cooling supports, other medical supports etc. | 400,000 |
| HE | Food Insecurity and Meals for At-Risk and Senior Populations | Funds would support large one-time food distribution events, as well as, food delivery program for seniors and at-risk residents. | 3,000,000 |
| HE | Black Education Health Program | Program to allow engagement with community organizations serving Black residents and grants to Community Based Organizations (CBO) to build capacity to provide education, outreach, and health supports | 1,000,000 |
| HE | Older Adults Supports | Financial support for the purchase of black out curtains, transportation to cooling centers, food and medication delivery from local grocery stores, close-looped referral technology to support older adult/warm-line referrals, mental health supports. communications campaign. | 500,000 |
| HE | Mental Health and Domestic Violence | In response to documented increases in mental illness and domestic violence as a result of the Safer-at-Home orders. Includes education campaigns about available services, supports to access these services and grants to local agencies. | 500,000 |
| HE | Public Health Case Management Support | Builds an ongoing infrastructure for intake, case management, appointment etc. related to COVID and future public health responses | 500,000 |
| HE | Early Childhood Supports | Increase access to early childhood care (ECE) for those impacted by COVID-19. Assist ECE providers to open and operate under new COVID-19 protocols, use technology to match families to ECE providers, provide learning tools to families, and grants to ECE providers to reduce costs to families for accessing services. | 1,000,000 |
| HE | Non-Profit Relief Program | Fund non-profit organizations to reach neighborhoods and residents most impacted by the COVID-19 pandemic, through culturally and linguistically appropriate outreach, engagement, education and connection to resources and services. Non-profits will educate residents about COVID-19 prevention and safety, and provide direct case management and systems navigation as needed to ensure connection with services. | 1,000,000 |
| PR | Youth Leadership & Ambassador Program | Support for youth leadership in communities to support COVID outreach and education. Train youth workers from LMI communities, including salaries for work at parks, open space locations, including City Open Streets commercial locations, beaches and parks. | 1,000,000 |
| PR | Youth Programming | Resources to expand youth programming beyond the 22 summer parks sites to meet community need as well as support reduced costs programming for families. These include opportunities in schools, WRAP site staffing and supports into the school year. | 500,000 |
| TI | Digital Inclusion-residents | Digital navigator grants for community-based organizations. Chromebooks/ hot spots / tech assistance to serve residents adversely impacted by COVID-19 and stay at home orders. Moveable public Wi-Fi access points. | 1,000,000 |
| CM | Grants to the Arts Community for Economic Support of the Arts | Transition and recovery grants to arts organizations impacted by the Safer-at-Home order to provide arts education and programming to COVID impacted residents. | 1,500,000 |
| | | | Total Community Support \$ 14,400,000 |
| BUSINESS SUPPORT - Recovery & Resiliency | | | |
| HE | Small Business and Non-Profit PPE Distribution Program | Many small businesses including child care providers and non profit organizations closed during the early months of the "Safer-at-Home" orders. Providing PPE would allow these organizations to meet the requirements for reopening without adding a financial burden or purchasing PPE. | 750,000 |
| ED | COVID-19 Small Business Transition & Recovery Grants | Provides very small business COVID-19 transition and recovery grants to provide funding for working capital to make changes to the exterior, interior, plexiglass, ventilation, signage, staffing, new inventory or other COVID-19 recommended improvements. | 3,600,000 |
| ED | Business Improvement Districts (BIDs) Loan and Grant program | Provides funds to various BIDs to distribute business grants to LMI businesses, and/or implement programs to support businesses, and PPE distribution. | 1,000,000 |
| ED | Grants for Queuing Systems and Contactless Payment Systems | Small technology grants to Low-Median-Income (LMI) businesses to assist with implementation of Queuing and Contactless Payment Systems. | 500,000 |
| ED | COVID-19 Business Call Center | Funding for COVID-19 transition and recovery to assist small businesses and displaced workers with technical assistance, loans, grants, PPE acquisition and other services. | 150,000 |
| ED | COVID-19 Economic Inclusion Coordinator | Support for an aggressive approach to economic inclusion and the implementation of the Everyone In Implementation Plan approved by the City Council in 2019. | 150,000 |
| ED | COVID-19 Small Business Education Budget | 200,000 direct mailers and fliers to small businesses and business owners about COVID-19 related guidelines and resources in multi-lingual formats | 100,000 |
| PW | Open Streets Initiative | Administered by Public Works to provide parklets and outdoor dining in various Business Improvement Districts and corridors. | 300,000 |
| CM | COVID-19 Economic Equity Study | Provides funding for "Economic Equity Analysis" from CSULB and/or additional non-profit research organizations to help identify and inform strategies to mitigate racial impacts of COVID-19. | 200,000 |
| | | | Total Business Support \$ 6,750,000 |
| | | | \$ 40,280,494 |