

Date: March 3, 2021

To: Mayor and Members of the City Council

From: Thomas B. Modica, City Manager 

Subject: **Update on 2018 and 2020 SAFER Grants and Application Recommendation**

This memorandum is to provide an update on the status of the City's 2018 Staffing for Adequate Fire and Emergency Response (SAFER) grant and the financial impacts to be considered regarding the 2020 SAFER Grant funding cycle for which applications are due on March 12, 2021.

2018 SAFER Grant Background and Update

On September 18, 2019, the Long Beach Fire Department (Fire Department) was awarded a SAFER grant by the Federal Emergency Management Agency (FEMA). The SAFER grant provides funding to help fire departments increase or maintain the number of trained firefighters available in their communities. The Fire Department's 2018 SAFER grant application highlighted the need to hire 12 additional firefighters to partially support the restoration of Engine 17 and decrease response times in Engine 17's immediate response area and citywide.

The 2018 SAFER grant was projected to provide between \$2.3 to \$2.8 million in funding from FY 20 to FY 23, depending on how the final grant requirements were to be applied. A requirement of the grant is that the Fire Department must maintain budgeted fire suppression staffing levels during the grant performance period of March 2020 through March 2023, plus 12 additional SAFER-funded firefighter positions that would need to be hired before any grant funds would be distributed. If the requirements were met, the SAFER grant would pay for 75 percent of the salaries and benefits of the new firefighters in the first and second years of the grant, and 35 percent in the third year, and the City would be responsible for the remaining costs associated with these positions during the three-year performance period.

As part of the Measure A plan approved in the FY 20 budget, \$4.7 million in funding was allocated to fund Engine 17 for two years (FY 20 and FY 21). At the time of the 2018 SAFER grant acceptance, staff estimated that inclusive of the grant and Measure A funds, the City would need an additional \$2 to \$2.5 million to maintain Engine 17 through the end of FY 23 (September 2023). It was noted that this estimated shortfall in funding would need to be addressed in future budgets. It was also noted that if an adverse City budget situation resulted in a reduction to fire suppression staffing levels during the grant period, any grant funds received would likely need to be returned to FEMA.

During the FY 21 budget development process, staff analysis found that receiving the 2018 SAFER grant would cost more money than the City would receive from the grant. That adverse situation would result because to meet the staffing levels required by the grant, the Fire Department would need to conduct a second Fire Academy in FY 21, at an additional, one-time unbudgeted cost of \$1.6 million. Additionally, with the significant General Fund shortfalls projected during the grant performance period, maintaining the required SAFER grant staffing levels, would likely result in substantial reductions to non-public safety departments. Due to these factors, staff noted its intent to forego receipt of the 2018 SAFER grant to avoid higher costs and overstaffing.

As part of the adoption of the FY 21 Budget, the City Council requested that the City Manager pursue potential waivers of some of the SAFER grant requirements, specifically the requirement with regard to the maintenance of effort requirement that was precluding the grant from making financial sense for the City. The City Manager made the request for a waiver to FEMA and followed up with the City's federal legislative delegation. Unfortunately, on February 18, 2021, the request was denied by FEMA stating that "FEMA didn't anticipate any retroactive changes to the 2018 SAFER grant awards."

2020 SAFER Grant Recommendation

The City is now considering whether or not to apply for a 2020 SAFER grant as the applications are due on March 12, 2021 for this funding cycle. The City could request \$4.8 million to cover the cost of 12 FTE entry level firefighters for Engine 17 over three years (estimated to be about mid-FY 22 through mid-FY 25), or approximately \$1.6 million for each grant performance year (about \$900,000 to \$1.4 million short of the funding needed each year depending on implementation). For reference, the cost of a paramedic assessment engine is approximately \$3.2 million, meaning the grant would cover approximately 50 percent of the total cost if the engine is staffed with budgeted positions. The 2020 grant is more flexible with fewer requirements than the 2018 grant including: (1) no cost share requirement – the grant pays the full cost of SAFER-funded positions (in the rank of Firefighter only) for up to three years; (2) elimination of the supplanting requirement, which means that the SAFER-funded positions can be in addition to current staff positions at the time of the grant award rather than budgeted staff positions; and, (3) optional extensions to the performance period, which would allow more time to hire/increase staffing levels to meet grant requirements.

Unfortunately, it is unlikely that the City will be able to comply with the grant's terms (the final regulations are not yet released, but it seems unlikely the basis terms will change) for the three years of the grant. As a result, the City would likely have to return any funds received, potentially creating an even more difficult financial position for the City. The main reason for the likely failure to comply with the grant terms is the inability to maintain the base staffing level as the City is facing significant structural shortfalls over the next few years. Even if services can be maintained in FY 22 due to one-time federal relief funds, at some point during the grant period, the structural shortfall will likely require significant service reductions that would impact all departments, including the Fire Department. At that point, the City would likely fall out of compliance with the grant and would likely have to return all monies received,

exacerbating the City's financial stresses. For example, the City Council-approved budget for FY 21 includes a requirement for the Fire Department to identify structural reductions in the amount of \$1.9 million. If this grant were accepted, other departments would need to take the \$1.9 million in reductions to remain balanced, and any future reductions would also be spread to all other departments to avoid reductions that would trigger a grant default.

There are conditions in which the 2020 SAFER grant application may benefit the City or at least not be disadvantageous. These three conditions are as follows:

1. If for some unexpected reason, the City is able to generally maintain services; or
2. If the City chooses to not reduce Fire Department-related services while reducing most other City services; or
3. The City sets aside General Fund money each year, including FY 22, equal to the grant amount that can be used if the City ends up either not accepting the grant or having to return the money. (If the SAFER grant conditions end up being all met, the City could use the accumulated funding at the end of the grant (FY 25) for any other one-time purpose.)

Based on the above analysis, it is staff's assessment that the City is very unlikely to be able to comply with the terms of the SAFER grant and even if accepted, the City would likely have to return the grant money in the future, and therefore, submittal of a grant application is not recommended. If the Council feels differently, staff would need City Council direction by March 9, 2021, as the deadline for the grant application is March 12, 2021. Final awards are expected around September 2021.

If City Council wishes staff to apply, the City Council may also want to consider asking the City Manager identify funds to set aside each year (which may result in other reductions needing to be made to generate these funds) in the proposed budget equal to that year's estimated award amount, so that in the event the City needs to return any grant monies received, it could do so without adversely impacting the emergency or operating reserves.

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