



Coronavirus Relief Fund Update and Closeout Process

This report provides City Council with a final update on the programs funded with the Coronavirus Relief Fund (CRF) and also requests City Council approval for the actions required to ensure that the CRF is properly closed on Dec. 30, 2020 as required by the Treasury Department. It is possible that stimulus discussions at the federal level could include a potential extension of the CRF deadline. However, under current legislation any CRF funding unspent by Dec. 30, 2020 must be returned to the U.S. Treasury. At this time we estimate approximately \$43.4 million will be unspent, of which \$34.5 million is needed to complete ongoing Council CRF priorities. This leaves approximately \$8.9 million for the Council to reprioritize to address other priorities.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

On March 27, 2020 the CARES Act was signed into law to address the economic fallout resulting from the COVID-19 pandemic in the United States. The bill was the largest economic bill in United States history totaling over \$2.1 trillion. The CARES Act provided different types of funding for which local governments could apply for funding to offset COVID-19 related expenses. As a large city with a population in excess of 500,000, Phoenix was awarded a direct allocation of \$293.3 million in Coronavirus Relief Funds. The CRF is intended to cover only those costs that are necessary expenditures incurred due to the public health emergency with respect to COVID-19. City Council approved a revised plan that allocated the CRF into three major categories:

- Community Services - \$78.2 million
- City Operations - \$71.8 million
- Reserve to Preserve City Services - \$143.3 million

Based on the programs and allocations previously approved, staff estimates that all but approximately \$43.4 million will be spent by the Dec. 30, 2020 deadline. **Of this amount approximately \$34.5 million is still needed to complete and facilitate projects and programs originally approved by City Council and approximately \$8.9 million is available to be reprogrammed.** However given the pending deadline,

staff requests City Council approval to use the \$43.4 million to further offset Public Safety salaries which would free up additional General Fund (GF) resources. The freed up GF resources could then be used to continue funding the original projects as needed and to address any issues determined to be high priority by City Council and that required more time than available under the CRF deadline of Dec. 30, 2020. Below is a detailed summary of each of the CRF allocations.

Community Services - \$78.2 million

The Community Services portion of CRF is allocated to projects related to the health and safety of residents, small business assistance, and other social assistance programs. Programmatic expenditures under Community Services were broken down into seven distinct sections:

Business Assistance - \$15,700,000

The strategic plan allocated funds to assist small business, restaurants, airport concessionaires, and local artists and arts organizations deal with the impact and aftermath of COVID-19. Through its various business assistance programs Community and Economic Development (CED) has awarded approximately \$13.1 million in assistance to over 2,000 local businesses that were negatively impacted by COVID-19. Additionally, the Office of Arts and Culture awarded approximately \$2.6 million to local artists and nonprofits arts organizations. **This program has been fully expended and no further closeout action is required.**

Utility & Rent/Mortgage Assistance - \$24,200,000

The original strategic plan allocated \$24 million to residential utility and rent/mortgage assistance for Phoenix residents and \$6 million for commercial city services assistance. On Oct. 13, City Council reallocated approximately \$5.8 million from the underutilized Commercial City Services Assistance Program to address other priorities. Based on the number of applications that have been submitted by Phoenix residents, staff is confident that the City's contractor, Wildfire, and the partner agencies will disperse all of the residential utility and rent/mortgage assistance funding. **Recent guidance from the Office of Inspector General suggests that these applications can still be funded directly out of the CRF provided that they were submitted prior to Dec. 30, 2020. As a result of this guidance, there is no need to transition these costs to the General Fund at this time.**

Distance Learning and Wi-Fi Access - \$3,300,000

The original plan included funding to address Wi-Fi in public facilities, tablets for public housing residents, and a broader attempt to bridge the citywide digital divide. Based on the work completed to date and updated project timelines, it is unlikely that these projects will be completed prior to the Dec. 30, 2020 deadline. **Staff requests**

approval to use approximately \$2.2 million of these funds to further offset GF public safety salaries which will allow these projects to be completed using \$2.2 million in General Funds. This action will help ensure that all CRF funds are expended by the deadline.

Mitigation and Care for Vulnerable Populations - \$21,500,000

Under this portion of the strategic plan, funding was allocated to address a number of important community issues including refugee and asylum seeker assistance, domestic violence, human trafficking, landlord and tenant assistance, heat relief and seniors. To address these areas the city partnered with a number of established nonprofit organizations. On Oct. 13, City Council increased funding in this category to provide additional support for veterans and job training efforts totaling \$11.5 million. **Based on our analysis it is estimated that we will spend approximately \$10.2 million on these efforts between now and Dec. 30 and that approximately \$700K will go unspent. The unspent portion consists of funding that was allocated for the Refugee and Asylee non-profit and the Community Legal Services Programs. The remaining amount of approximately \$10.6 million is needed to facilitate the US Vets property acquisition and the Refugee and Asylee Microenterprise programs. Because these projects will not be completed by the CRF deadline, staff recommends using the \$10.6 million in CRF to offset GF public safety salaries and then completing these projects out of the General Fund.**

Food Delivery - \$6,444,000

Under the original strategic plan, City Council allocated \$3.3 million for food banks and congregate meal delivery for seniors and \$1.7 million for community based food distribution programs. On Oct. 13 and Nov. 4 City Council approved allocating an additional \$1,444,000 to provide additional food programs to Phoenix residents. **This program is expected to be fully expended well in advance of the Dec. 30 deadline and therefore no further closeout actions are required.**

Better Health Outcomes and Community Testing - \$7,056,000

Funding in this category was used to purchase masks for the community, PPE for schools, contract with healthcare connectors, and to conduct community testing events through Dec. 30. **At this time all funds are expected to be spent and an additional \$3.5 million has been requested to continue community testing through June 30. Because of the recent increase in positive cases within the city and Maricopa County, staff is evaluating options to enhance and extend testing measures through the end of the fiscal year. If approved, these costs would need to be offset using a combination of CRF and GF due to the upcoming CRF deadline.**

Based on our analysis it is recommended that approximately \$16.4 million of CRF

related to Community Services Programs be immediately used to offset GF Public Safety Salaries. The freed up GF resources will allow staff to continue facilitating the US Vets property acquisition, the digital divide efforts and the employee HOPE Fund allocations. Overall the Community Services programs are estimated to be overspent by approximately \$3.5 million due to Community Testing Efforts. This overage will be offset with savings within City Operations as discussed below.

City Operations - \$71.8 million

The City Operations portion of CRF was allocated to projects related to the health and safety of employees and residents conducting business in city facilities and the overall continuity of safe city operations during and post COVID-19. Programmatic expenditures under City Operations were broken down into six distinct sections:

Employee Testing - \$6,000,000

In response to the COVID-19 pandemic, the City partnered with local providers to offer COVID-19 testing to employees and their immediate family members. Testing for both active virus and antibodies is an essential tool for controlling the spread of the virus in the community. **Based on expenses to date and the recent increase in the demand for additional employee testing it is believed that this full allocation will be spent. Expenses will be directly charged to CRF through mid-Dec., after that staff recommends shifting these costs to the GF by further offsetting public safety salaries with CRF funds.**

PPE/Cleaning/Sanitizing - \$20,000,000

To ensure that City staff and contractors are properly protected from exposure to COVID-19 we have attempted to order and maintain an adequate supply of personal protective equipment (PPE) and have adopted an enhanced cleaning schedule. Given the demand for PPE across the country we have experienced significant disruptions in the PPE supply chain. **Projected spending totals approximately \$19 million which would leave \$1 million potentially unspent. Because of supply chain disruptions across the country and the uncertainty of when these orders may come in staff may also need to convert all or some portion of these planned expenses to GF by further offsetting public safety salaries prior to Dec. 30.**

Medical/Public Safety Measures - \$5,000,000

This allocation was intended to provide resources needed to address enforcement of public health orders, parks and recreation enforcement of park closures and restrictions and other public health needs. However it is important to note that additional needs may surface after city facilities have reopened. **Based on expenses to date and the likelihood that additional needs will be identified as staff returns to work and more services are restored it is believed that this full allocation will**

be spent. Expenses will be directly charged to CRF through mid-Dec., after that staff recommends shifting these costs to the GF by further offsetting public safety salaries with CRF funds.

Payroll Expense Reimbursement - \$15,800,000

This allocation was set aside to offset costs associated with staff that have been diverted from their normal job to a COVID-19 response function and the costs associated with recouping COVID-related leave that was over and above budgeted levels as required by the federal guidance. To date these costs have been fairly minimal and projected spending totals approximately \$4.2 million. **If this trend continues there would be as much as \$11.6 million available to reprogram to support other community priorities. However due to the upcoming deadline we would need to convert this to GF by offsetting public safety salaries.**

Additionally approximately \$3.5 million of this is needed to offset the increased costs associated with the Community Testing Program.

Facility Retrofit - \$8,000,000

The CRF plan also included funding to ensure that city facilities would be safe for residents and those doing business inside city facilities. The plan included physical changes to customer counters, lobbies, waiting areas, employee work spaces, bus entryways, conference rooms, and other retrofits to city facilities. The plan also called for the retrofit of the existing fleet of 500 buses to install bus operator safety shields.

The shields provide a safe barrier between drivers and passengers at the entryway of the bus. Barrier installations will need to be customized according to various bus types and sizes. Year to date expenditures on facility-related projects totals approximately \$2 million. **Based on the availability of materials and the time required by contractors to install the bus shields, staff recommends that we use the remaining \$6 million to offset GF public safety salaries to free up GF resources to complete the bus shield installation project and the remaining facility retrofit projects.**

Telework/E-Government - \$17,000,000

Prior to COVID-19, City staff were working on a telework pilot program. When the Governor issued stay-at-home orders in March, staff immediately went to work by getting as many employees as possible outfitted with city-issued devices to safely work from home. Since March, nearly 30 percent of the workforce (more than 3,200 employees) have been teleworking. Additionally, staff have been extremely busy ordering and deploying technology necessary to enhance city operations during the pandemic. **Based on the projects that are currently underway, staff has determined that the full \$17 million allocation will be needed but approximately \$5.3 million will need to be converted to GF by further offsetting public safety**

salaries so that the projects may continue after Dec. 30.

Based on our analysis it is recommended that approximately \$18.1 million of CRF related to City Operations be immediately used to offset GF Public Safety Salaries. The freed up General Fund resources will allow staff to continue facilitating employee testing and the telework and other facilities-related projects outlined above. Additionally, staff estimates that after accounting for the additional Community Testing needs of approximately \$3.5 million, approximately \$8.9 million is available for City Council to reallocate; however, given the deadline staff also suggests that these funds first be used to offset GF public safety salaries.

Public Safety Salary Offset - \$143.3 million

On June 30, City Council approved using the \$143 million CRF Reserve to offset Public Safety Salaries and thereby preserving city services. To ensure full compliance with federal guidance, staff split the \$143 million reserve into two transactions, \$57 million for March through June (2019-20) and \$86 million for July through December (2020-21). From these transactions, the GF received approximately \$121 million and the three dedicated public safety funds (Proposition 301, Public Safety Enhancement and Proposition 1) received approximately \$22 million. The transfer of these one-time resources into the GF and public safety funds are expected to preserve services that would have been reduced due to the projected negative impact of COVID-19 on city revenues.

A Summary of the Recommended Action

Because more time is needed to complete several of the CRF Funded programs than allowed under the current guidance, it is recommended that City Council allow staff to use \$43.4 million in Coronavirus Relief Funds to offset public safety salaries in the GF by an equal amount. Staff would use \$34.5 million of the freed-up GF to continue the following projects and programs:

- Bridging the Digital Divide
- Public Wi-Fi Access Installation
- US Vets Property Acquisition
- Refugee and Asylee Microenterprise
- Community COVID-19 Testing
- HOPE Fund for City Employees
- Employee COVID-19 Testing
- Medical and Public Safety Measures
- Public Facility Retrofit Projects
- Telework/E-government Projects

The remaining \$8.9 million in freed up GF could be used by City Council to address other needs such as:

- Additional Business Assistance
- Additional Community Testing
- Additional Rent/Mortgage/Utility Assistance
- After-School Programs
- Additional Food Relief

Responsible Department

This item is submitted by Deputy City Manager Jeff Barton and the Finance and Budget and Research departments.