

City of San Diego
Recovery Plan

**State and Local Fiscal Recovery
Funds**

2021 Report

City of San Diego
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GENERAL OVERVIEW

Executive Summary

The City of San Diego (City) provides a full range of governmental services to residents and visitors. The City's General Fund provides essential services such as public safety, parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These services in the General Fund are primarily supported by property tax, sales tax, transient occupancy tax, and franchise fees and account for approximately 2/3 of the revenue in the General Fund. As a result, any significant changes in these General Fund revenues will impact the level of services that the City is able to provide to residents and visitors.

At the start of calendar year 2020, San Diego's economic outlook was trending stable and positive. However, with the effects of the COVID-19 pandemic, which started in March 2020, the economy significantly declined resulting in a global economic recession. The COVID-19 pandemic and the economic recession resulted in a significant decline in anticipated General Fund revenues. The most impacted revenues included sales tax, transient occupancy tax, user fees, and fines. These losses have impacted the available resources to provide essential services in the General Fund.

Since the start of the COVID-19 pandemic, the City has taken multiple fiscal actions to address the revenue shortfalls and reduce expenditures, including service level reductions in non-essential services. These actions have resulted in a better financial position to respond to revenue losses in the General Fund. However, without the direct support from the federal government the City would be required to eliminate and reduce essential services citywide.

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. The CARES Act established the Coronavirus Relief Fund (CRF) from which the City received \$248.4 million that was focused on providing resources to combat the COVID-19 pandemic. CRF was primarily allocated and expended in the General Fund in Fiscal Year 2020 and Fiscal Year 2021 to provide and maintain emergency services required during the COVID-19 pandemic.

On March 11, 2021, the federal government passed the American Rescue Plan Act (ARPA). The ARPA established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds (SLFRF) to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and efforts to contain impacts on their communities, residents, and businesses from which the City received \$299.7 million. SLFRF award may be used for the following four statutory categories:

1. To respond to the COVID-19 public health emergency or its negative economic impacts;
2. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work;

3. For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID–19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency; and
4. To make necessary investments in water, sewer, or broadband infrastructure.

Uses of Funds

The City will use SLFRF for general revenue replacement (U.S. Treasury Compliance and Reporting Guidance, Version 1.1, Category f) for lost revenue resulting from the COVID-19 pandemic. These additional funds will be allocated to the General Fund and will allow the City to maintain essential services that otherwise would have been eliminated or reduced as described above. The services will not include the following uses; as a deposit into a pension fund, as a non-federal grant match, as a service debt, to satisfy a judgment or settlement, or to contribute to reserves. For the first SLFRF reporting period, March 31, 2021 through July 31, 2021, the City is reporting \$0 expended. However, the City has allocated \$149.3 million in the Fiscal Year 2022 Adopted Budget for revenue replacement.

The Fiscal Year 2022 General Fund Adopted Budget was based on a multi-year analysis that funds critical expenditures in Fiscal Year 2022 and addresses the projected revenue shortfalls in Fiscal Year 2022, and in future fiscal years with proposed reductions, recommended allocation of funds included in the ARPA, and other mitigation actions. Looking beyond Fiscal Year 2022, there is an ongoing need to reach a structurally balanced budget where ongoing revenues support ongoing expenditures. The proposed multi-year analysis reflects revenue shortfalls in future fiscal years that will require the use of the remaining SLFRF funds.

Other ARPA Federal Recovery Funds

On February 22, 2021, the San Diego City Council authorized the City of San Diego's COVID-19 Housing Stability Assistance Program (HSAP) to be administered by the San Diego Housing Commission. HSAP was funded with a combination of State Block grant, direct Federal funding from Coronavirus Relief and \$54,539,063.20 of American Rescue Plan Act (ARPA) directly from the U.S Department of the Treasury. HSAP provides rental assistance and/or utility assistance to households with low income (up to 80 percent of San Diego's Area Median Income [AMI]) experiencing financial hardship due to the ongoing COVID-19 pandemic. The Housing Commission launched the online application portal for HSAP on March 15, 2021.

To be eligible for assistance through the City of San Diego COVID-19 Housing Stability Assistance Program, households must meet the following criteria:

- Tenant has a City of San Diego address;
- Household income is at or below 80 percent of AMI, with priority for households at or below 50 percent of AMI. (The U.S. Department of Housing and Urban Development establishes the AMI levels each year; 80 percent of AMI is currently \$92,400 per year for a family of four.);

- Household has an obligation to pay rent;
- Household does not currently receive any rental subsidies;
- At least one member of the household has a reduction of income or other financial hardship due to COVID-19; and
- Household experienced or is at risk of experiencing homelessness or housing instability.

On June 28, 2021, California Governor Gavin Newsom signed into law Assembly Bill (AB) 832, which allows programs like HSAP to pay 100 percent of past-due and prospective rent for qualifying households affected by the pandemic. AB 832 also extended the statewide eviction moratorium through September 30, 2021. With the implementation of the updates from AB 832, the Housing Commission anticipates fully expending all of the Coronavirus Relief Funds allocated to HSAP to help current HSAP applicants. The Housing Commission would use any unexpended funds as well as additional funding to assist the additional households that submit new applications each day for help from HSAP.

As of August 28, 2021, HSAP reports indicate that from the launch of the program:

- 19,154 applications from tenants and landlords have been submitted;
- 8,780 applications from tenants and landlords have been processed; and
- 10,220 applications from tenants and landlords have been approved.

The Housing Commission began disbursing payments in late April 2021 to help qualifying households. As of August 28, 2021, the Housing Commission has obligated \$46,358,203.73 and expended \$3,839,656.28 of their ARPA funds.

Promoting Equitable Outcomes

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. Therefore, the City does not have an applicable plan to use SLFRF to promote equitable outcomes. However, the Fiscal Year 2022 Adopted Budget includes programs focused on promoting equitable outcomes, including, but not limited to, the small business aid to qualified businesses and nonprofits that COVID-19 has negatively impacted and the restoration of the Small Business Enhancement Program with a focus on communities of concerns. It also includes youth programming that supports equitable access to recreational opportunities and funding for infrastructure projects within underserved communities, to help these communities effectively respond to the impacts of climate change.

Community Engagement

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. The use of SLFRF funds has been incorporated into the Fiscal Year 2022 budget

process, which captures diverse feedback from constituents, community-based organizations, and the communities themselves. The City publishes the General Fund's Fiscal Year 2022-2026 Five-Year Financial Outlook and presents the information at a public meeting where members of the community can provide input at this early stage of the budget development process. The Proposed Budget is developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst, and public input.

Mayor Gloria released the Proposed Budget on April 15, 2021, followed by a report from the Office of the Independent Budget Analyst (IBA), reviewing the Fiscal Year 2022 Proposed Budget, which was issued on April 30, 2021.

During the month of May, the City Council held a series of public budget hearings to obtain input from San Diego residents on spending priorities. Council members used the information received at these hearings to develop the districts' priorities and to recommend changes to the Fiscal Year 2022 Proposed Budget.

On May 18, 2021, the Mayor's May Revision to the Fiscal Year 2022 Proposed Budget was released, incorporating input from the community and from the City Council. In this report, the Mayor recommended changes to the budget based on up-to-date policy-related issues and revised Fiscal Year 2021 year-end revenue and expenditure projections. On June 9, 2021, the IBA issued a report of recommended City Council modifications to the Mayor's Fiscal Year 2022 Proposed Budget and May Revision, also based on community input that informed the City councilmembers' spending priorities.

On May 20, 2021, the Budget Review Committee began their review of the Mayor's May Revision. The final modifications to the budget were presented to the City Council on June 14, 2021, after which the Appropriation Ordinance was adopted into law.

Labor Practices

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. Therefore, the City does not have an applicable plan to use SLFRF for infrastructure. However, the City's Purchasing and Contracting and Compliance Departments manage programs that promote effective and efficient delivery of high-quality infrastructure projects including the Equals Benefits, Equal Opportunity Contracting, Prevailing Wage, and Living Wage Programs.

Use of Evidence

At this time, the City does not have an applicable plan for this category. However, the City is planning to allocate the additional funds to the General Fund to maintain essential services that otherwise would have been eliminated or reduced as described above.

Table of Expenses by Expenditure Category

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
1	Expenditure Category: Public Health		
1.1	COVID-19 Vaccination		
1.2	COVID-19 Testing		
1.3	COVID-19 Contact Tracing		
1.4	Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)		
1.5	Personal Protective Equipment		
1.6	Medical Expenses (including Alternative Care Facilities)		
1.7	Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency		
1.8	Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)		
1.9	Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19		
1.10	Mental Health Services		
1.11	Substance Use Services		
1.12	Other Public Health Services		
2	Expenditure Category: Negative Economic Impacts		
2.1	Household Assistance: Food Programs		
2.2	Household Assistance: Rent, Mortgage, and Utility Aid		
2.3	Household Assistance: Cash Transfers		
2.4	Household Assistance: Internet Access Programs		
2.5	Household Assistance: Eviction Prevention		
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers		
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)		
2.8	Contributions to UI Trust Funds*		
2.9	Small Business Economic Assistance (General)		
2.10	Aid to nonprofit organizations		
2.11	Aid to Tourism, Travel, or Hospitality		

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
2.12	Aid to Other Impacted Industries		
2.13	Other Economic Support		
2.14	Rehiring Public Sector Staff		
3	Expenditure Category: Services to Disproportionately Impacted Communities		
3.1	Education Assistance: Early Learning		
3.2	Education Assistance: Aid to High-Poverty Districts		
3.3	Education Assistance: Academic Services		
3.4	Education Assistance: Social, Emotional, and Mental Health Services		
3.5	Education Assistance: Other		
3.6	Healthy Childhood Environments: Child Care		
3.7	Healthy Childhood Environments: Home Visiting		
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System		
3.9.	Healthy Childhood Environments: Other		
3.10	Housing Support: Affordable Housing		
3.11	Housing Support: Services for Unhoused persons		
3.12	Housing Support: Other Housing Assistance		
3.13	Social Determinants of Health: Other		
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators		
3.15	Social Determinants of Health: Lead Remediation		
3.16	Social Determinants of Health: Community Violence Interventions		
4	Expenditure Category: Premium Pay		
4.1	Public Sector Employees		
4.2	Private Sector: Grants to other employers		
5	Expenditure Category: Infrastructure		
5.1	Clean Water: Centralized wastewater treatment		
5.2	Clean Water: Centralized wastewater collection and conveyance		
5.3	Clean Water: Decentralized wastewater		
5.4	Clean Water: Combined sewer overflows		
5.5	Clean Water: Other sewer infrastructure		
5.6	Clean Water: Stormwater		
5.7	Clean Water: Energy conservation		
5.8	Clean Water: Water conservation		

Category		Cumulative expenditures to date (\$)	Amount spent since last Recovery Plan
5.9	Clean Water: Nonpoint source		
5.10	Drinking water: Treatment		
5.11	Drinking water: Transmission & distribution		
5.12	Drinking water: Transmission & distribution: lead remediation		
5.13	Drinking water: Source		
5.14	Drinking water: Storage		
5.15	Drinking water: Other water infrastructure		
5.16	Broadband: "Last Mile" projects		
5.17	Broadband: Other projects		
6	Expenditure Category: Revenue Replacement		
6.1	Provision of Government Services	\$0	\$0
7	Administrative and Other		
7.1	Administrative Expenses		
7.2	Evaluation and data analysis		
7.3	Transfers to Other Units of Government		
7.4	Transfers to Nonentitlement Units (States and Territories only)		
	Total	\$0	\$0