



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lee Wilcox
Julia H. Cooper
Jim Shannon

**SUBJECT: FISCAL RECOVERY UPDATE AND
CORONAVIRUS RELIEF FUND
REBALANCING**

DATE: September 16, 2020

Approved

Date

9/17/20

RECOMMENDATION

- (a) Receive a report on the status of the City's fiscal recovery efforts related to the COVID-19 pandemic.
- (b) Adopt 2020-2021 Appropriation Ordinance and Funding Sources Resolution amendments in the Coronavirus Relief Fund, the Emergency Reserve Fund, and the General Fund as described in Attachment A to the staff memorandum.
- (c) Adopt a resolution authorizing the City Manager to negotiate and execute an agreement with the Santa Clara County Office of Education (SCCOE) that allows the City of San José to receive \$400,000 from SCCOE to purchase additional hotspot devices for San José residents impacted by COVID-19.
- (d) Adopt a resolution ratifying an amendment to the Agreement with AT&T providing connectivity to residents impacted by COVID-19 that extends the contract term to September 1, 2021 and increases the maximum compensation from \$3,430,000 to \$5,116,000.

OUTCOME

In addition to receiving a report on the status of the City's fiscal recovery efforts related to the COVID-19 pandemic, approval of the recommended actions ensure that sufficient budgetary resources are allocated from the most appropriate funding sources to support the City's COVID-19 pandemic response to residents, ratifies an amended agreement with AT&T to provide additional Wi-Fi hotspot, and allows the City to receive funding from SCCOE to offset a portion of the cost to purchase additional hotspots. The various budgetary recommendations include allowing for additional families to receive broadband access that has become even more crucial due to the remote learning required to maintain public health, adds an additional \$5 million to the Residential Assistance program, and allocates \$3 million in General Fund moneys to the BeautifySJ program.

EXECUTIVE SUMMARY

When the shelter-in-place orders took effect on March 17, 2020, the City transformed its operations to respond to the COVID-19 pandemic while still preserving essential service delivery. Guided by the Emergency Operations Roadmap to slow and reduce the spread of COVID-19 and support our most at-risk people, the City's response efforts are largely funded through federal and State sources. The Finance & Recovery Sections in the Emergency Operations Center ("Finance & Recovery") is tracking the estimated expenditures across 16 different funding sources. Since the update to the Rules and Open Government Committee on June 24, 2020, the estimated available funding across all sources has increased by \$55.4 million, from \$251.8 million to \$307.2 million, including the recommendations within this memorandum. Since the beginning of the pandemic, Finance & Recovery has undertaken a number of actions to ensure that the cost of the response is appropriately procured, monitored, coordinated, and documented for possible FEMA reimbursement and in compliance with all CARES Act funding—including the Coronavirus Relief Fund (CRF) guidelines.

Informed by work of Finance & Recovery, City Council discussion during previous Item 3.1 City Manager updates, and in coordination with Emergency Operations Center ("EOC") leadership in assessing how emergency funding should be reallocated to meet changing operational conditions and restrictions from various funding sources, the Administration is recommending a number of 2020-2021 budget adjustments in the Coronavirus Relief Fund ("CRF"), the General Fund, and the Emergency Reserve Fund. These actions include:

- Increasing the CRF allocation for Local Assistance by \$5 million, from \$25 million to \$30 million;
- Reallocating Digital Inclusion funding from the CRF to the General Fund and increasing the total allocation from \$5.0 million to \$6.4 million to provide an additional 4,800 Wi-Fi hotspots San José families;
- In alignment with the direction provided by the memorandum from the Mayor and Councilmembers Davis, Diep, and Jimenez, allocating \$3.0 million from the General Fund to broaden illegal dumping and blight abatement efforts through December 2020;
- Allocating \$10.6 million in CRF funding to assist the County with isolating vulnerable populations exposed to COVID-19 (note: The Administration will be pursuing FEMA reimbursement for a majority of these costs); and
- Allocating General Fund resources of \$2.0 million for technology deployment, as well as training and support of the workforce, to support continued remote work.

The General Fund allocations are provided with resources from the \$25.0 million 2020-2021 Continuity of Operations Reserve as described in Manager's Budget Addendum (MBA) #3, Coronavirus Relief Fund and General Fund Adjustments, and approved in the Mayor's June Budget Message for Fiscal Year 2020-2021, as approved by the City Council. The 2020-2021 Continuity of Operations Reserve serves to support the continued operation of basic City services and emergency response activities through 2020-2021. As the needs of response operations shift and as the EOC Finance & Recovery Sections continue to align expenditures

with the most appropriate funding source, \$11.0 million from the reserve is recommended to assist in response efforts.

The Administration also recommends the ratification of an amended agreement with AT&T to provide an additional 4,800 hotspots for San José families to assist with remote learning by increasing the not-to-exceed amount from \$3,430,000 to \$5,116,000, and extend the contract term to September 1, 2021. The Santa Clara County Office of Education will provide \$400,000 to assist with the provision of the additional hot spots that is expected during the first week of October.

BACKGROUND

Since the County of Santa Clara shelter-in-place orders first took effect on March 17, 2020, the City has allocated significant resources and focus to the COVID-19 pandemic response, including helping our most vulnerable populations and ensuring the continuity of City services. The City has accessed a variety of federal and State funding sources to assist in the response, including \$178.3 million in Coronavirus Relief Funding authorized by the CARES Act and received in April 2020 from the U.S. Department of Treasury. The Coronavirus Relief Fund was incorporated into the 2020-2021 Adopted Budget through the Manager's Budget Addendum ("MBA") #3, Coronavirus Relief Fund and General Fund Adjustments, MBA #20, Coronavirus Relief Fund and Resident Assistance, and the Mayor's June Budget Message for Fiscal Year 2020-2021, as approved by the City Council. Actions to budget a portion of CRF proceeds in 2019-2020 was approved by City Council on June 23, 2020. In addition, the Emergency Reserve Fund contains pandemic response expenditures anticipated to be reimbursed by FEMA.

With the close of the 2019-2020 fiscal year, and additional information gained as to the nature of the necessary response and recovery effort through December (in accordance with the CARES Act, CRF resources must be expended by December 30, 2020), adjustments to the originally budgeted pandemic response allocations are required. The discussion below provides an overview of the expenditures and internal processes to track pandemic response costs and identifies a number of budget adjustments in the CRF, Emergency Reserve Fund, and the General Fund to facilitate response efforts.

One of the City's response areas provides broadband internet access for families affected by COVID-19 who are unable to access the internet. On June 23, 2020, the City Council authorized the City Manager to negotiate and execute an agreement with AT&T for the provision of 11,000 Wi-Fi hotspots with a one-year data plan. The Santa Clara County Office of Education (SCCOE) and San José school districts have identified an additional need of 4,800 hotspots. In accordance with San José Municipal Code 4.12.220 - *Emergency purchases*, actions are included in this memorandum to ratify actions taken by the City Manager to amend the agreement with AT&T to provide the additional hotspots, and to authorize the negotiation and execution of an agreement with SCCOE to provide \$400,000 to offset a portion of the increased cost.

ANALYSIS

The discussion below is broken down into two sections. The first section is an update on the City’s fiscal recovery efforts, including an overview of funding sources, organization of the Finance and Recovery Branches in the Emergency Operations Center (EOC), and an overview of accomplishments and upcoming fiscal recovery tasks. The second section describes the recommended budget adjustments to effectively continue the City’s pandemic response efforts through December 30, 2020.

Fiscal Recovery Update

At the June 24, 2020 City Council *Rules and Open Government Committee* meeting, the City Manager presented¹ how the dispersal and use of certain federal Coronavirus Aid, Relief, and Economic Security (CARES) Act funds, specifically the allocation of \$178,295,348 in CRF moneys, would comply with the City guiding principles of government transparency and accountability². The June 24, 2020 Information Memorandum presented a *Sources of Relief Funds* for the initial tranche of moneys the City had received to help address the impacts of the COVID-19 pandemic. *Table 1. Sources of Relief Funds* summarizes the current status of received and/or obligated funding for the COVID-19 pandemic relief effort for a total \$307.2 million, including \$128.9 million in non-CRF moneys. This listing includes the budget adjustment actions recommended as part of this memorandum.

Table 1. Sources of Relief Funds

	Acronym	As of June 24, 2020	Adjustment (+/-)	As of September 14, 2020
Coronavirus Relief Fund	CRF	\$ 178,295,248	\$ 100	\$ 178,295,348
Community Development Block Grant Supplemental Funding	CDBG	5,263,414	7,578,511	12,841,925
Emergency Solutions Grant	ESG	2,683,479	32,836,839	35,520,318
Housing Opportunities for Person with AIDS	HOPWA	209,618	-	209,618
Federal Emergency Management Agency-Public Assistance	FEMA-PA	37,591,157	(18,763,870)	18,827,287
US Department of Justice-Bureau of Justice Assistance	BJA-Byrne	-	865,998	865,998
Federal Emergency Management Agency-Assistance for Firefighters	FEMA-AFG-S	-	301,124	301,124
Housing Opportunities for Person with AIDS-Competitive	HOPWA-Comp	-	140,108	140,108
California Emergency Homeless Housing	SB89	3,919,821	-	3,919,821
California Homeless Housing, Assistance & Prevention Grant	HHAP	23,832,511	-	23,832,511
HOME Investments Partnerships Program	HOME	-	2,000,000	2,000,000
California Project Homekey	HomeKey	-	12,692,000	12,692,000
California Affordable Housing	SB2	-	4,348,646	4,348,646
Housing Authority Litigation Funds	HALA	-	2,000,000	2,000,000
Santa Clara County Office of Education	SCCOE	-	400,000	400,000
Continuity of Operations Reserve	General Fund	-	11,000,000	11,000,000
Total Revenues		\$ 251,795,248	\$ 55,399,456	\$ 307,194,704

The following are narratives on funding either identified or reallocated after June 24, 2020.

¹ ROGC 20-233 Relief Funds Transparency and Accountability: <https://www.sanjoseca.gov/home/showdocument?id=60973>

² City of San José Council Policy Manual Policy Number 0-1: <https://www.sanjoseca.gov/home/showdocument?id=12911>

Federal Funds

Significant supplementary funding received and/or obligated since the June 24, 2020 Information Memorandum includes additional rounds of CARES Act appropriations from the following U.S. Department of Housing and Urban Development (“HUD”) Office of Community Planning and Development statutory formula programs: Community Development Block Grants (“CDBG”); Housing Opportunities for Persons with AIDS (“HOPWA-Comp”) and Emergency Solutions Grants (ESG).

New federal monies were made available through the HUD HOME Investment Partnerships program (HOME), the U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant Program for City Fire and Police Departments (“BJA-Byrne”), and the Federal Emergency Management Agency Assistance to Firefighters Grant Program – COVID-19 Supplemental (FEMA AFG-S), which provides financial assistance directly to eligible fire departments. The reduction in overall FEMA funding reflects the transfer of the Supportive Isolation Housing need from FEMA to CRF funding, and the decrease in food distribution/necessities and personal protective equipment/janitorial funding from that federal source.

State of California Funds

Additional COVID-19 related funding from the State of California (“State”) includes Project Homekey moneys to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings, and convert them into interim or permanent, long-term housing. Project Homekey is funded with pass-through federal CRF money supporting the capital asset acquisition and State general fund dollars providing an operating subsidy.

Senate Bill 2 (SB 2) funds City efforts to accelerate affordable housing production. While the Housing Authority Litigation Funds resulted from successful litigation against HUD, permitted uses are those authorized under State Housing Authority law, therefore establishing the State as the source of these moneys. These funds will provide emergency financial assistance funding to low income households affected by COVID-19.

Local Funds

Local funds include a contribution from the Santa Clara County Office of Education to support digital inclusion through the purchase of hotspots as described later in this memorandum. The General Fund, recommended for allocation from the 2020-2021 Continuity of Operations Reserve as discussed later in this memorandum, supports hotspot purchases and associated carrier data plans, expanded efforts for trash pickup and blight remediation, and remote work facilitation.

Table 2 summarizes the current City funding status by grantor type.

Table 2. Sources of Funds by Grantor Type

Federal	\$ 249,001,726	81.1%
State	46,792,978	15.2%
Local	11,400,000	3.7%
	\$ 307,194,704	100.0%

Emergency Operations Center (“EOC”) – Finance & Recovery Branches

The EOC Finance & Recovery branches are responsible for coordinating all necessary and appropriate activities related to the successful recovery of all eligible expenditures through local, state and/or federal assistance due to an emergency declaration. Since June 24, 2020, Finance & Recovery has achieved the following milestones:



- ☑ Developed standard protocols for defining chart(s) of accounts to track emergency-related revenues and expenditures, and established accounts specific for the following events:
 - COVID-19
 - 2020 Protests (Civil Unrest)
 - 2020 Fires
 - 2020 PSPS #01
- ☑ Convened regular City-Wide Grants Working Group to identify emergency-related grant opportunities and challenges
- ☑ Organized Documentation Liaison Group meetings to deploy recovery and documentation guidance
- ☑ Developed COVID-19 Specific Procurement Guidelines and Contract Templates
- ☑ Obligated FEMA Food Distribution and PPE/Disinfection Expedited Projects
- ☑ Identified additional potential FEMA-eligible projects, including the Kelley Park temporary shelters and EOC-specific overtime expenditures
- ☑ Onboarded Ernst & Young Disaster Cost Recovery consultants
- ☑ Reviewed City insurance programs for potential reimbursement opportunities
- ☑ Reconciled sources and uses of funds through the FY2019-2020 year-end close process and classified COVID-19 related expenditures into appropriate funds
- ☑ Supported legislation at the federal and state levels for additional stimulus and relief funding packages, and advocated for City needs
- ☑ In consultation with the City Attorney, guided and consulted with various EOC branches on eligible spending uses for respective funding sources
- ☑ Supported the City Auditor with ongoing audits, including assessing the City’s FEMA recovery documentation for compliance with FEMA reimbursement requirements

- Consulted with the City financial auditor – Macias, Gini & O’Connell LLP – regarding COVID-19 related grant funding and the upcoming FY2019-2020 single federal audit
- Designed a web-based data dashboard providing detailed budgetary and actual information regarding City emergency-related revenues, expenditures and spending categories

Current and future Finance & Recovery scope of work includes:

- FY2019-2020 final closing, budgetary and expenditure adjustments, and grants reporting
- Reimbursement & Recovery Activities
 - Coronavirus Relief Fund Rebalancing
 - Submit additional FEMA project worksheets (AKA grants applications)
 - Quarterly Grants Reporting for 4FQ2020 for FEMA and CRF
 - Collect Documentation Support for FEMA obligated project worksheets and submit for reimbursement
- Issue Request for Proposals – Consultant Services for Disaster Recovery
- Publish Documentation Supporting Materials (Sole Source, Checklists, Templates)
- Populate external SharePoint site for outside consultants and grantors access
- Publish Web-Based Data Portal and establish refresh schedule and protocols
- Complete Finance & Recovery temporary staff recruiting and onboarding
- Disaster Cost Recovery Plan Development
 - Analyze existing plans, policies, and procedures related to finance & recovery
 - Develop the general framework, processes, and tools to facilitate cost recovery activities associated with a federally, state or locally declared emergency
 - Identify the primary roles and responsibilities of stakeholders to effectively coordinate the provision of FEMA Public Assistance, as well as other federal, state and local grant funding programs
 - Develop a robust, reproducible Cost Recovery Plan model and template(s) for future emergencies

COVID-19 Response Budget Adjustments

As presented at the beginning of each City Manager COVID-19 Update (Item 3.1), the roadmap displayed below in Table 3 continues to drive the work of the Emergency Operations Center. Correspondingly, this roadmap also provides a framework for the Administration to recommend resource allocations. Drawing on the experience from the pandemic response so far to help forecast the level and type of response going forward – and continuing to evaluate the most appropriate funding source to eligible response activities – the Administration recommends a number of budget adjustments to continue the work guided by the roadmap.

Table 3 – Emergency Operations Roadmap

Slow and reduce the spread of COVID-19, and support our most at-risk people	
Roadmap through the Epidemic: City Response – Highest Priority Actions	
1. Compliance with Public Health Orders ("Shelter in Place")	+ Education, enforcement and engagement
2. Continuity of Essential City Services	+ Ensuring essential services are provided safely for the duration of the epidemic
3. Support for At-Risk Communities and Populations <ul style="list-style-type: none"> ▪ Food & Necessity Distribution and Feeding <ul style="list-style-type: none"> – Senior Support and Services – Medically At-Risk Support and Services ▪ Homeless Support and Services (Shelter Delivery and Quarantine) ▪ Local Assistance for: <ul style="list-style-type: none"> – Individuals and Families – Small Business and Non-Profit Support 	+ County wide food distribution, focusing first on the most at-risk and then, scale and sustain + Support seniors in isolation + Support medically at-risk populations in isolation + Increase shelter, hygiene services and health support to homeless population + Local assistance for individuals and families + Support small businesses and develop understanding of new forms of assistance (e.g. SBA) and begin to operationalize
4. Powered by People – Support our people so they can act <ul style="list-style-type: none"> ▪ Ensure Safety of City Staff Performing Essential Services ▪ Families Support for City Staff Performing Essential Services (including childcare) ▪ Redeploying Staff to Essential Services and Response 	+ Support safety of City Staff performing essential services + Prioritize testing, child care, and other support services for staff performing essential services + Temporarily re-assign staff in non-essential services to essential or emergency management functions
Enabling Actions Supporting the Response	
5. Silicon Valley Strong Campaign	+ A public campaign amplifying public health messages, raising funds, and volunteers
6. Communications and Engagement with Community	+ Messaging to broader community with focus on engaging our most at-risk communities in multiple languages
7. Funding and Cost-Recovery <ul style="list-style-type: none"> ▪ Maximizing Cost-Recovery (CalOES and FEMA) ▪ Securing Funding State, Federal and Private Grants 	+ Coordinated approach to federal, state, local, and privately raised funds with a focus on effective response and cost recovery for the City organization
8. Future Planning	+ Understanding future trajectory and impacts of COVID-19

The 2020-2021 Continuity of Operations Reserve

As described previously, the City has been fortunate to access a variety of external funding sources to pay for response efforts focused on our at-risk population. Many of these funding sources are restricted to specific activities that the City Council has approved through previous memoranda. The CRF and reimbursements from FEMA comprise a broader range of eligible uses, though those sources also have restrictions on how the funding may be used. To supplement the use of external resources, the Administration is recommending the allocation of a portion of the 2020-2021 Continuity of Operations Reserve in the General Fund.

Established with the incorporation of MBA #3 into the Mayor’s June Budget Message for 2020-2021, as approved by the City Council, the \$25.0 million 2020-2021 Continuity of Operations Reserve provides capacity to:

“... support the continued operation of basic City services and emergency response activities through 2020-2021 should conditions differ from current expectations. The evolving nature of the COVID-19 pandemic corresponds with a significant level of uncertainty regarding the City’s response, and the public health and economic impacts of the disease. This action reserves capacity to continue to provide basic City services and/or increase emergency response efforts should the disease surge later in 2020-2021. This action also provides resources to continue services should conditions differ or if the economic recovery from the shelter-in-place orders is slower than anticipated.”³

³ MBA #3: <https://www.sanjoseca.gov/home/showdocument?id=59055>

The 2020-2021 Continuity of Operations Reserve was established by recognizing General Fund savings from eligible staff costs for the pandemic response in 2019-2020, and then allocating \$25.0 million of those savings to the reserve. The Administration recommends allocating \$11.0 million from this reserve, reducing the 2020-2021 Continuity of Operations Reserve from \$25.0 million to \$14.0 million, to assist in the following forward-facing objectives of the EOC and to continue to maintain essential City services: Digital Inclusion (\$6.0 million), BeautifySJ Illegal Dumping (\$3.0 million), and Remote Work Facilitation (\$2.0 million). Table 4 below includes further details.

In addition to providing increased support, as some EOC activities may not directly align to eligible CRF or FEMA uses, accessing the 2020-2021 Continuity of Operations Reserve provides the flexibility to use unrestricted General Fund resources.

It is important to note that the 2020-2021 Continuity of Operations Reserve is expected to continue to play an important role as the City monitors and responds to the pandemic. In this extremely challenging and unpredictable economic and public health setting, continued careful management of General Fund reserves will be important throughout 2020-2021 and into the 2021-2020 budget development cycle.

Description of Recommended Budget Adjustments

Table 4 below describes each recommended 2020-2021 budget adjustment aligned to the EOC Roadmap, including the amount of the budget adjustment and any funding remaining from 2019-2020 rebudgeted into 2020-2021, the revised total allocation spanning 2019-2020 and 2020-2021 in comparison to the 2020-2021 Adopted Operating Budget, and the funding source. All funding allocations are summarized in Table 5.

Table 4 – Budget Adjustments

Appropriation Name	2020-2021 Adjustment Amount	Funding Source	Description
Compliance with Public Health Orders			
Communications and Translation Services	\$300,000	CRF	This action rebudgets \$94,000 of remaining funding from 2019-2020 and adds \$206,000 to ensure sufficient contractual services funding is available for translation of EOC communications. The total two-year CRF allocation increases from \$500,000 to \$706,000.
Continuity of Essential City Services			
BeautifySJ – Illegal Dumping	\$3,000,000	General Fund	In alignment with the memorandum from the Mayor and Councilmembers Diep, Davis and Jimenez, this action establishes a \$3.0 million City-Wide appropriation in the General Fund to the Parks, Recreation and Neighborhood Services Department to broaden illegal dumping and blight abatement efforts. While the CRF currently supports trash and debris removal around homeless encampments and transitional housing sites, as recently discussed during Item 3.1 at the September 1 st City Council meeting, addressing illegal dumping and related debris removal in other areas of the City requires more funding. Allocating General Fund resources provides the flexibility needed to help address illegal dumping locations not directly related to preventing the spread of COVID-19. It is important to note that, while \$3.0 million is a significant amount, the level and approach to BeautifySJ is iterative. Additional information regarding the iterative implementation and future for the BeautifySJ illegal dumping and blight abatement efforts will be provided at a City Council Study Session on December 4, 2020.
Facilities Improvements	\$2,000,000	CRF	This action includes the rebudget of \$1.4 million of remaining funding from 2019-2020 and additional funding of \$600,000 to increase the total two-year CRF allocation from \$5.0 million to \$5.6 million. Numerous facility improvements are required to protect employees and the public as City operations continue and/or restart. While the ultimate need may be greater, a total CRF allocation of \$5.6 million represents what can be spent by December 30. Staff will continue to reevaluate this allocation and recommend further adjustments as appropriate.
Remote Work Facilitation – Drive to Digital	\$1,500,000	General Fund	This action establishes a General Fund City-Wide appropriation to the Information Technology Department of \$1.5 million for the purchase of approximately 500 additional laptops and peripherals, upgrade VPN capacity to improve cybersecurity, increased investment in business process automation, and extending the video conferencing licensing. These actions are necessary to facilitate the large portion of the workforce that continues to

Appropriation Name	2020-2021 Adjustment Amount	Funding Source	Description
			work from home. The General Fund is recommended to ensure that the provision of these services continues beyond December 2020.
Support for At-Risk Communities and Populations			
Testing, Tracing and Isolation	\$10,600,000	CRF	This action allocates \$10.6 million in the CRF to support the County of Santa Clara’s efforts to isolate vulnerable populations with COVID-19 or who are being quarantined based on previous exposure. Staff will bring forward an agreement with the County for these services at a future City Council meeting.
Local Assistance	\$7,000,000	CRF	This action includes the rebudget of \$2.0 million of remaining funding from 2019-2020 and an additional \$5.0 million to increase the two-year total CRF allocation from \$25.0 million to \$30.0 million, which will provide additional support for childcare, non-profits, and other forms of resident assistance.
Digital Inclusion	\$6,400,000	General Fund	These actions shift Digital Inclusion funding from the CRF to a City-Wide appropriation in the General Fund to the Library Department and increases the total two-year allocation from \$5.0 million to \$6.4 million, including a \$400,000 contribution from the Santa Clara County Office of Education (SCCOE). As described in more detail below, the increased funding allows for the purchase of an additional 4,800 Wi-Fi hotspots to assist San José students with distance learning.
Digital Inclusion	(\$4,000,000)	CRF	
Homeless Sheltering and Support	(\$18,600,000)	CRF	This action decreases CRF funding for Homeless Sheltering and Support by \$18.6 million, of which \$10.6 million is reallocated to Testing, Tracing and Isolation as described above. Due the recent increased funding allocation from the federal government for housing and homeless support, non-CRF funding sources for this category has increased from \$35.9 million to \$103.1 million, which allows for a portion of CRF resources to be deployed elsewhere.
Food and Necessities	(\$8,000,000)	CRF	This action decreases the 2020-2021 budget for Food and Necessities in the CRF by \$8.0 million. Combined with the savings of \$3.0 million experienced in 2019-2020, the total two-year allocation in the CRF decreases from \$35.0 million to \$24.0 million. Though the EOC continues its extensive coordination among various partners, the pace of spending and financial support forecasted has decreased. Staff will continue to monitor program needs and recommend future adjustments if necessary.

Appropriation Name	2020-2021 Adjustment Amount	Funding Source	Description
Powered by People – Support for our people so they can act			
COVID-19 Personal Services	10,020,064	CRF	This action allocates \$10.0 million in the CRF to pay for City employees who have been redeployed to respond to the pandemic, which would raise the total two-year allocation for personal services from \$60.0 million to \$70.0 million. This figure is equivalent to approximately \$1.7 million per month, as compared to current expenditures tracking at approximately \$2.5 million per month. At this time, staff recommends using a lower figure for personal services costs as the deployment of City employees to pandemic response could change in the coming months. Staff will continue to closely monitor the pace of expenditures and recommend future adjustments as necessary.
Remote Work Facilitation – Effective Teams	\$1,500,000	General Fund	This action establishes a \$500,000 City-Wide appropriation in the General Fund to the Human Resources Department for training and support of the City’s workforce. Approximately 44% of the City’s full-time staff are working predominately remote, while the remaining are working in a City Facility or in the field. Supporting and engaging a dispersed workforce, many new to working remote, is critical to the City’s ability to deliver services. Anticipated to be expended throughout the remainder of 2020-2021, this allocation will pay for both temporary staffing and contractual services to deliver training to supervisors, teams, and individuals to lead, manage, and develop skills to be effective in a remote environment; develop and continually improve on in-house safety training for those in the field and in a city facility; reinvent and deliver the mentoring program; and deliver human centered design learning labs to cross-departmental teams to accelerate our ability to improve processes and drive to digital.
Funding and Cost Recovery			
Consulting and Planning Support	\$1,200,000	CRF	This action rebudgets \$161,000 of remaining funding from 2019-2020 and allocates an additional \$1.0 million to increase the two-year CRF allocation from \$2.0 million to \$3.0 million. This action ensures that the City can continue to draw upon the expertise of emergency management and recovery professionals to maximize the effectiveness and cost recovery of the City’s pandemic response.
FEMA Local Match	\$1,000,000	CRF	This action rebudgets \$1.0 million from 2019-2020 into 2020-2021, thereby maintaining the total two-year allocation at \$7.0 million, which is still the tentative match for expected FEMA reimbursements.
2020-2021 Continuity of Operations Reserve	(\$11,000,000)	General Fund	This action decreases the 2020-2021 Continuity of Operations Reserve by \$11.0 to offset the General Fund allocations described above, and lowering the reserve from \$25.0 million to \$14.0 million.

Digital Inclusion – Agreement with AT&T and the Santa Clara County Office of Education

As described in Table 4, the recommended budget adjustments reallocate Digital Inclusion funding from the CRF to the General Fund and increase the total allocation from \$5.0 million to \$6.4 million. The increased funding consists of an additional \$1.0 million of City resources and \$400,000 from the Santa Clara County Office of Education (SCCOE).

Of the original \$5.0 million budget of CRF funding, approximately \$300,000 remained unallocated at the end of August. The increase to the AT&T contract necessary to procure the additional 4,800 hotspots is approximately \$1.7 million. With SCCOE committing \$400,000, the additional funding required is \$1.0 million. In accordance with San José Municipal Code 4.12.220 - *Emergency purchases*, the City Manager took action to execute an amended agreement with AT&T to provide the additional hotspots in timely manner. Staff estimates that the hotspots will be configured and delivered by the first week of October. Actions are included in this memorandum to both ratify the amended agreement with AT&T that increases the not to exceed amount from \$3,430,000 to \$5,116,000 and extends the contract term to September 1, 2021, and authorize the City Manager to negotiate and execute an agreement with SCCOE to receive \$400,000 to offset the cost of 1,100 of the additional 4,800 hotspots needed.

The shift between CRF and the General Fund provides additional flexibility for how the funds can be used, which allows for a more straightforward structuring of the agreement with AT&T for the procurement of additional hotspots and their accompanying one-year data plan.

Summary of Total Estimated Response Costs

Table 5 below provides a summary of the total estimated cost for the various categories of expenditures. In addition, Table 5 also displays the before and after allocation within the CRF as a result of the recommended budget actions.

Attachment A contains a detailed listing of every appropriation action for the 2020-2021 fiscal year recommended as part of this memorandum. Importantly, these actions include the reconciliation of 2019-2020 Ending Fund Balances and 2020-2021 Beginning Fund Balances for the CRF and Emergency Reserve Fund – actions that would have otherwise been included in the 2019-2020 Annual Report – and the rebudgeting of FEMA reimbursement revenue in the Emergency Reserve Fund that is now expected to be received in 2020-2021 instead of 2019-2020.

*Table 5. COVID-19 Emergency Response Efforts:
Sum of 2019-2020 Actuals and Revised 2020-2021 Budget (\$)*

Response Effort	Coronavirus Relief Fund (CRF)			Continuity of Operations Reserve (General Fund)	Other Sources (FEMA, Housing, etc.)	Total Estimated Cost
	MBA #20/ June Budget Message	Revised CRF Allocation ⁴	Increase/ (Decrease)			
BeautifySJ Illegal Dumping	\$ -	\$ -	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000
Communications & Translation Services	500,000	706,120	206,120	-	-	706,120
Consulting and Planning Support	2,000,000	3,038,753	1,038,753	-	-	3,038,753
COVID-19 Personal Services	50,000,000	70,019,746	20,019,646	-	865,998	70,885,744
Digital Inclusion	5,000,000	-	(5,000,000)	6,000,000	400,000	6,400,000
Facilities Improvements	5,000,000	5,640,222	640,222	-	-	5,640,222
FEMA Matching Expense	7,000,000	7,000,000	-	-	-	7,000,000
Food Distribution and Necessities	35,000,000	23,960,072	(11,039,928)	-	7,705,202	31,665,274
Homeless Sheltering and Support	45,000,000	26,395,362	(18,604,638)	-	103,081,311	129,476,673
Local Assistance	25,000,000	30,017,605	5,017,605	-	-	30,017,605
PPE & Janitorial Services	1,500,000	192,097	(1,307,903)	-	5,846,845	6,038,942
Remote Work Facilitation	1,000,000	725,372	(274,628)	2,000,000	-	2,725,372
Testing, Tracing and Isolation	-	10,600,000	10,600,000	-	-	10,600,000
Reserve	1,295,248	-	(1,295,248)	-	-	-
Total	\$ 178,295,248	\$ 178,295,348	\$ 100	\$ 11,000,000	\$ 117,899,356	\$ 307,194,704

⁴ This includes a correction of \$100, increasing total CRF from \$178,295,248 to \$178,295,348, the actual proceeds.

CONCLUSION

Guided by the Emergency Operations Roadmap, the City's work to respond to the pandemic and protect our most vulnerable residents continues. The Finance and Recovery Sections in the EOC will continue to carefully monitor the fiscal status of response activities to ensure that expenditures are appropriately tracked and documented, and that expenditure activities are aligned with the most eligible funding sources. The City Manager's Budget Office continues to work closely with EOC leadership to enable the allocation of resources necessary to meet shifting demands to the extent feasible. The actions recommended in this memorandum increases investment in the response effort, positions the City to both maximize reimbursement from external sources, and maintains budgetary flexibility to respond to conditions that will likely change again in the near future.

EVALUATION AND FOLLOW-UP

The Administration will return to the City Council in the coming weeks to execute a contract with the County of Santa Clara for COVID-19 isolation support. The Administration will also continue to monitor the status of the response and recovery efforts, and anticipates bringing forward additional adjustment later in the calendar year to ensure that all CFR funding is expended by December 30, 2020.

CLIMATE SMART SAN JOSE

The recommendations in this memo have no effect on Climate Smart San José energy, water, or mobility goals.

COORDINATION

This memorandum has been coordinated with the Human Resources Department, the Information Technology Department, the Housing Department, the Library Department, the Office of Economic Development, and the City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

All budget adjustment actions are displayed in Attachment A. Several of the recommended activities within the Remote Work Facilitation undertaken by the EOC will result in ongoing costs to the City, including business automation improvements (\$181,000) and video conferencing licensing (\$65,000). The City Manager’s Budget Office and the Information Technology Department will work to identify offsetting actions as part of the 2021-2022 Proposed Budget development process to minimize the impact to General Fund services to the extent feasible.


It is also important to note that the increase of \$10.0 million in personal services costs in the CRF are primarily due to existing City staff who have been redeployed to EOC activities. Though it is likely that many of these employees would have otherwise been working on General Fund activities, actions are not included at this time to recognize the savings in the General Fund. Since the \$10.0 is an estimate, the actual amount of savings will be monitored by the Recovery & Finance Sections. The final amount of General Fund savings will be recognized as part of the 2020-2021 Mid-Year Budget Review scheduled for City Council review and approval in mid-February 2021.

CEQA

Not a Project, File No. PP17-008, General Procedure and Policy Making resulting in no changes to the physical environment.

/s/
LEE WILCOX
EOC Director
Chief of Staff

/s/
JULIA H. COOPER
Finance Director


Jim Shannon
Budget Director

For questions on EOC operations and fiscal recovery, please contact Luz Cofresí-Howe, Assistant Finance Director, at Luz.Cofresi-Howe@sanjoseca.gov. For questions regarding budget adjustment actions, please contact Jim Shannon, Budget Director, at Jim.Shannon@sanjoseca.gov.

Attachment A – Recommended Budget Actions

ATTACHMENT A

General Fund
 2020-2021 Recommended Budget Adjustments
 September 22, 2020, City Council Item 3.6

Department/Proposal	Use				Source		Net Cost
	Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance	
CITY-WIDE EXPENSES							
Digital Inclusion	\$ -	-	6,400,000	\$ 6,400,000	-	-	\$ 6,400,000
BeautifySJ Illegal Dumping	\$ -	-	3,000,000	\$ 3,000,000	-	-	\$ 3,000,000
Remote Work Facilitation - Drive to Digital	\$ -	-	1,500,000	\$ 1,500,000	-	-	\$ 1,500,000
Remote Work Facilitation - Effective Teams	\$ -	-	500,000	\$ 500,000	-	-	\$ 500,000
CITY-WIDE EXPENSES TOTAL	\$ -	\$ -	\$ 11,400,000	\$ 11,400,000	\$ -	\$ -	\$ 11,400,000
EARMARKED RESERVES							
2020-2021 Continuity of Operations Reserve	-	-	\$ (11,000,000)	\$ (11,000,000)	-	-	\$ (11,000,000)
EARMARKED RESERVES TOTAL	\$ -	\$ -	\$ (11,000,000)	\$ (11,000,000)	\$ -	\$ -	\$ (11,000,000)
REVENUE ADJUSTMENTS							
Revenue from Local Agencies (Santa Clara County Office of Education - Wi-Fi Hotspots)	-	-	\$ -	\$ -	400,000	-	\$ (400,000)
REVENUE ADJUSTMENTS TOTAL	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ (400,000)
TOTAL GENERAL FUND	\$ -	\$ -	\$ 400,000	\$ 400,000	\$ 400,000	\$ -	\$ -

ATTACHMENT A

Special Funds
 2020-2021 Recommended Budget Adjustments
 September 22, 2020, City Council Item 3.6

Department/Proposal	Use					Source		Net Cost	
	Personal Services	Non-Personal/ Equipment	Other	Ending Fund Balance	Total Use	Revenue	Beg Fund Balance		
Coronavirus Relief Fund (401)									
Clean-Up and Rebudget Actions									
Finance Department	Fund Balance Reconciliation		-	10,224,816	\$ 10,224,816	-	10,224,816	\$ -	
	Clean-Up and Rebudget Actions Total		\$ -	\$ -	\$ 10,224,816	\$ 10,224,816	\$ -	\$ 10,224,816	
Budget Adjustments									
	Communications and Translation Services	-	-	\$ 300,000	\$ -	\$ 300,000	-	-	\$ 300,000
	Consulting and Planning Support	-	-	\$ 1,200,000	\$ -	\$ 1,200,000	-	-	\$ 1,200,000
	COVID-19 Emergency Response Reserve	-	-	\$ (1,295,248)	\$ -	\$ (1,295,248)	-	-	\$ (1,295,248)
	COVID-19 Personal Services	-	-	\$ 10,020,064	\$ -	\$ 10,020,064	-	-	\$ 10,020,064
	Digital Inclusion	-	-	\$ (4,000,000)	\$ -	\$ (4,000,000)	-	-	\$ (4,000,000)
Office of the City Manager	Facilities Improvements	-	-	\$ 2,000,000	\$ -	\$ 2,000,000	-	-	\$ 2,000,000
	FEMA Local Match	-	-	\$ 1,000,000	\$ -	\$ 1,000,000	-	-	\$ 1,000,000
	Food and Necessities	-	-	\$ (8,000,000)	\$ -	\$ (8,000,000)	-	-	\$ (8,000,000)
	Homeless Sheltering and Support	-	-	\$ (18,600,000)	\$ -	\$ (18,600,000)	-	-	\$ (18,600,000)
	Local Assistance	-	-	\$ 7,000,000	\$ -	\$ 7,000,000	-	-	\$ 7,000,000
	Testing, Tracing and Isolation	-	-	\$ 10,600,000	\$ -	\$ 10,600,000	-	-	\$ 10,600,000
	Ending Fund Balance Adjustment	-	-	\$ -	\$ (224,816)	\$ (224,816)	-	-	\$ (224,816)
	Clean-Up and Rebudget Actions Total	\$ -	\$ -	\$ 224,816	\$ (224,816)	\$ -	\$ -	\$ -	\$ -
	CORONAVIRUS RELIEF FUND (401) TOTAL	\$ -	\$ -	\$ 224,816	\$ 10,000,000	\$ 10,224,816	\$ -	\$ 10,224,816	\$ -
Emergency Reserve Fund (406)									
Clean-Up and Rebudget Actions									
Finance Department	Fund Balance Reconciliation		-	(818,728)	(818,728)	-	(818,728)	-	
	Rebudget: Revenue from Federal Government		-	5,000,000	\$ 5,000,000	5,000,000	-	\$ -	
	Clean-Up and Rebudget Actions Total		\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	
	EMERGENCY RESERVE FUND (406) TOTAL		\$ -	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ -	