



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Lee Wilcox
Julia H. Cooper
Jim Shannon

**SUBJECT: FISCAL RECOVERY UPDATE AND
APPROPRIATION ACTIONS TO
CONTINUE THE CITY'S COVID-19
PANDEMIC RESPONSE**

DATE: December 4, 2020

Approved

Date

12/5/20

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 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 amendments to existing emergency operations contracts funded with Coronavirus Relief Funds in accordance with the approved Appropriation Ordinance and Funding Sources Resolution amendments, to revise the scope of services, extend the term to a date no later than June 30, 2021, and increase the amount awarded, provided the amount of any increase to any single award shall not exceed \$1,000,000.

OUTCOME

In addition to receiving a report on the status of the City's fiscal recovery and tracking efforts related to the COVID-19 pandemic, approval of the recommended actions ensure that minimal levels of funding are in place from January 1, 2021 through June 30, 2021, and existing agreements can be quickly amended as necessary, to continue the City's response activities focused on supporting the most vulnerable.

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 have been largely funded through federal and State sources. The Finance & Recovery Section in the Emergency Operations Center ("Finance & Recovery") is tracking expenditures across 16 different funding sources with a total that will exceed \$300 million. Since the City Council approval of actions to reallocate funding to support the City's response on September 22, 2020¹, the City is estimating to receive a net additional \$14.0 million, increasing the estimated available funding across all sources from \$307.2 million to \$319.2 million.

While these resources have been critical in providing support to our community, one key funding source – the Coronavirus Relief Fund (CRF) – must be expended by December 30, 2020 and the U.S. Congress has not approved any extensions or increases to CRF distributions. The City's Intergovernmental Relations (IGR) team continues to work with the San José delegation and alongside national coalitions like the National League of Cities and the US Conference of Mayors advocating for additional flexible funding to local governments to respond to and mitigate the impacts of the pandemic. Though both political parties in Congress are currently talking about passing a package during the lame duck session, there is tremendous uncertainty on whether a new funding package comes together and what elements it may contain. As a result, the Administration recommends the following budget adjustments:

- 1) Reallocate CRF resources. Actions are included to reallocate CRF proceeds, including interest earned from the original funding distribution, to ensure that all CRF proceeds are fully expended by December 30, 2020 in accordance with U.S. Treasury Department guidelines.
- 2) Reduce departmental budgets in the General Fund. In recognition that a number of departmental staff who are budgeted in the General Fund to perform normal City business have instead been performing EOC and public safety duties in response to COVID-19, actions are included to correspondingly reduce the original General Fund budget.
- 3) Reallocate limited General Fund resources for response efforts beyond December 30. Actions are included to prioritize General Fund savings and resources previously set aside in the 2020-2021 Continuity of Operations Reserve to support some of the EOC's most critical response efforts from January 1 through June 30, 2021, that totals \$32.5 million, including Food and Necessities (\$18.0 million); Local Assistance (\$8.8 million), FEMA Local Match (\$2.0 million); BeautifySJ Illegal Dumping (\$1.5 million), Facilities Improvements (\$1.0 million), PPE and Enhanced Cleaning (\$500,000), Consultant and Planning Support (\$500,000), and Communications and Translation Services (\$200,000).

¹ [Item 3.6. Fiscal Recovery Update and Coronavirus Relief Fund Rebalancing, 9/22/2020](#)

To ensure that services continue without interruption and that the Administration can quickly respond as necessary to the shifting impacts of COVID-19, actions are also included that authorize the City Manager to negotiate and execute amendments to existing contracts to extend those services through June 30, 2021, provided that the amount of any increase shall not exceed \$1,000,000.

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, State, and local funding sources to assist in the response totaling, including \$178.3 million in Coronavirus Relief Funding authorized by the Coronavirus Aid, Relief, and Economic Security (“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. As directed by the CARES Act, all CRF funding must be spent by December 30, 2020.

On September 22, 2020, the City Council received a report on the status of fiscal recovery activities and approved: (1) modifications to 2020-2021 Adopted Budget to reallocate CRF resources in accordance with the reconciliation of expenditures in 2019-2020, anticipated needs for the next several months, and the ability to expend by the funding by the December 30, 2020 deadline; and (2) the allocation of \$11.0 million from the 2020-2021 Continuity of Operations Reserve within the General Fund – reducing the reserve from \$25.0 million to \$14 million – to assist with pandemic response efforts that required additional flexibility with how resources could be spent, including Digital Inclusion (\$6.0 million), BeautifySJ Illegal Dumping (\$3.0 million), and Remote Work Facilitation (\$2.0 million).

With an analysis of expenditures through mid-November, it is necessary to adjust the budgeted allocations within the CRF to maximize the impact of this emergency relief funding. In addition, as the needs of the community will continue beyond December 30, 2020 and no additional funding assistance has been authorized by the Federal government, appropriation actions are needed to ensure that available funding is reallocated to continue the City’s emergency response, though at reduced levels, from January 1, 2021 through June 30, 2021. If additional external funding assistance becomes available in 2021 the Administration will return to the Council for further discussion and budget modifications to expand the City’s response.

Much of the City's response to the COVID-19 pandemic and the pandemic-induced recession occurs in partnership with local nonprofits and through contracts with organizations equipped to meet specific emergency response needs. Since the declaration of local emergency, the Administration has brought forward for Council approval contracts for a variety of needs, such as providing food and necessities, emergency shelter, rental relief, childcare, small business assistance, nonprofit grants, and much more. Should the City Council approve this item, a number of these contracts would be amended to replace Coronavirus Relief Funds unspent by December 30, 2020 with General Fund dollars. These contracts could be extended until June 30, 2021.

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, updates on any additional funding received since the report received on September 22, 2020, and an overview of accomplishments and upcoming fiscal recovery tasks. The second section describes the recommended budget adjustments to reallocate CRF allocations to allow for full expenditure by December 30, 2020, and other appropriation actions necessary to continue the City's emergency response activities through June 30, 2021.

Fiscal Recovery Update

At the June 24, 2020 City Council *Rules and Open Government Committee* meeting, the Administration presented² how the dispersal and use of certain federal Coronavirus Aid, Relief, and Economic Security ("CARES") Act funds, specifically the allocation of \$178.3 million in CRF moneys, would comply with the City guiding principles of government transparency and accountability³. 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. On September 22, 2020, the updated *Sources of Relief Funds* table was presented to City Council⁴, and reflected a total of \$307.2 million, including \$128.9 million in non-CRF moneys. Since then, the City has netted an additional \$10.6 million in federal and state dollars, plus \$1.47 million of interest earned on the CRF funds. The following *Table 1. Sources of Relief Funds* presents the current status of received and/or obligated funding for the COVID-19 pandemic relief effort for a total \$351.7 million, including an additional \$32.5 million recommended to be allocated from the General Fund as part of this memorandum.

² ROGC 20-233 Relief Funds Transparency and Accountability: <https://www.sanjoseca.gov/home/showdocument?id=60973>

³ City of San José Council Policy Manual Policy Number 0-1: <https://www.sanjoseca.gov/home/showdocument?id=12911>

⁴ City of San José Council File 20-1090 *Fiscal Recovery Update and Coronavirus Relief Fund Rebalancing* <https://sanjose.legistar.com/View.ashx?M=F&ID=8797456&GUID=3CFAF302-181F-4929-8925-A61D642CC1BB>

Table 1. Sources of Relief Funds

Sources	Acronym	Sep 22, 2020	+/-	Dec 8, 2020
Coronavirus Relief Fund	CRF	\$178,295,348	\$ 1,471,000	\$179,766,348
Community Development Block Grant Supplemental Funding	CDBG	12,841,925	-	12,841,925
Emergency Solutions Grant	ESG	35,520,318	-	35,520,318
Housing Opportunities for Person with AIDS	HOPWA	209,618	-	209,618
Federal Emergency Management Agency-Public Assistance	FEMA-PA	18,827,287	(7,524,509)	11,302,778
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	4,666,278	28,498,789
HOME Investments Partnerships Program	HOME	2,000,000	9,550,646	11,550,646
California Project Homekey	HomeKey	12,692,000	(461,523)	12,230,477
California Affordable Housing	SB2	4,348,646	4,348,646	8,697,292
Housing Authority Litigation Funds	HALA	2,000,000	-	2,000,000
Santa Clara County Office of Education	SCCOE	400,000	-	400,000
General Fund	General Fund	11,000,000	32,500,000	43,500,000
Total Revenues		\$307,194,704	\$44,550,538	\$351,745,242

Following are narratives on funding either identified, reallocated or adjusted after September 22, 2020:

Federal Funds

The \$7.5 million reduction in Federal Emergency Management Agency-Public Assistance refines the amount previously estimated to be recovered from that respective funding source. Additional federal monies have been made available through the U.S. Department of Housing and Urban Development HOME Investment Partnerships program, and provides \$9.6 million in formula grant dollars. Finally, \$1.47 million is anticipated in interest earned on the original \$178.3 million CRF distribution from April 20, 2020 through December 30, 2020, the investment of which was allowed by the U.S. Treasury Coronavirus Relief Fund financial assistance⁵. The interest earned is required to be used per the U.S. Treasury Guidance for State, Territorial, Local, and Tribal Governments⁶ and is allocated to response activities as described below.

⁵ U.S. Treasury *Coronavirus Relief Fund Frequently Asked Questions*,

<https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Frequently-Asked-Questions.pdf>

⁶ <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>

State of California Funds

The City received more COVID-19 related dollars from the State through its Homeless Housing, Assistance & Prevention Grant (“HHAP”) and SB 2 housing programs, increasing each source by \$4.7 million and \$4.3 million, respectively. The reduction in Project HomeKey funds of \$461,523 reflects the truing up of the original City request to actual money awarded.

Local Funds

As described below, General Fund resources of \$32.5 million are allocated to support response activities from January 1, 2021 through June 30, 2021, funded through departmental savings and the 2020-2021 Continuity of Operations Reserve.

Table 2 summarizes the current City funding status by grantor type. Table 3 displaying the use of funds is provided at the end of the budget adjustments discussion on the following pages.

Table 2. Sources of Funds by Grantor Type

Federal	\$ 263,366,863	74.9%
State	44,478,379	12.6%
Local	43,900,000	12.5%
	\$ 351,745,242	100.00%

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. Ongoing Finance & Recovery activities include:



- 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

Future Federal Stimulus / State and Local Funding Assistance

The City's IGR team continues to work with the San José delegation and alongside national coalitions like the National League of Cities and the US Conference of Mayors advocating for additional flexible funding to local governments to respond to and mitigate the impacts of the pandemic. On December 1, 2020, a bipartisan group of Senators proposed a \$908 billion stimulus package that includes \$160 billion in state and local government funding assistance. As a comparison, the Senate Republican "skinny" bill did not include any state and local government funding, and the House Democrat updated HEROES Act included \$436 billion for state and local government assistance.

Both parties are currently talking about passing a package during the lame duck session. Speaker Pelosi and Leader Schumer have said that the bipartisan bill is a good foundation for negotiations. President Trump has signaled he would sign a deal if Congress can reach agreement and President-elect Biden also urged congressional leaders to continue negotiations. Republican Majority Mitch McConnell has said "it would be optimal" to reach agreement by the weekend however, he has not endorsed the bipartisan \$908 billion package and continues to advocate for a much narrower package. Given these fluid dynamics, there continues to be great uncertainty about whether a package comes together and what elements it may contain. Therefore, the City must take a very focused and limited approach for budgeting resources to continue COVID-19 response efforts in 2021 – ensuring our most at-risk residents are supported.

State Funding Assistance

In Sacramento, the Legislative Analyst's Office released a forecast that paints a rosier picture for the state budget than the Legislative Analyst's Office has previously forecasted. While overall tax revenue has fallen, the state's progressive tax structure relies on wealthy individuals, and their performance cushioned the projected losses. The Legislative Analyst's Office is projecting an additional \$26 billion one-time surplus that could help avoid major cuts in next year's budget or be used to restore trigger cuts adopted in Fiscal Year 2019-2020 that were originally expected to be reversed with federal funds.

While these increased revenues are a positive sign, they should be viewed with caution and in the context of all the issues the state is facing. There will be continued costs in addressing the COVID-19 pandemic especially as we head into the winter months and face more potential shutdowns and stay-at-home orders. While today's fiscal condition is somewhat stable, the level of increased federal support will determine how long that remains and how well the state will be positioned for economic recovery. Although we are still expecting a budget deficit in the 2021-22 budget year, we will know more when the Governor releases his January budget proposal. We anticipate priorities for 2021 will be COVID-19, housing and homelessness, more federal funding, economic recovery, climate resiliency, worker protections and school reopenings.

Finally, in early October, the state implemented the COVID-19 Health Equity Metric which measures how well counties are serving their most vulnerable populations and we expect that will be the focus of the Legislature as they look at new budget and policy issues moving forward in 2021.

COVID-19 Response Budget Adjustments

The recommendations included in this memorandum include four different types of budget adjustments: 1) reallocations to ensure that all CRF resources are expended by December 30, 2020; 2) reduction of departmental budgets in the General Fund, as a number for City staff have been working on COVID-19 response and support activities; 3) use of the 2020-2021 Continuity of Operations Reserve to help fund response activities through June 30, 2021; and 4) reallocation of limited General Fund resources to continue response efforts previously funded by CRF so that they can continue from January 1 through June 30, 2021. While Attachment A contains all budget adjustment transactions, the transactions are summarized and described below.

CRF Reallocations

After reviewing the rate of spend and revisions to estimated needs, the Administration recommends the budget adjustment actions listed in Attachment A to ensure that all CRF proceeds and interest earnings can be fully expended by the end of December.

The most significant adjustment is the increase of the COVID-19 Personal Services appropriation from \$10.0 million to \$24.8 million. The Administration has a wide range of personnel engaged in activities that are in response to the COVID-19 pandemic. This includes personnel assigned to and supporting the EOC, personnel working on EOC-directed activities and/or in support of public health orders, and Fire staff that provide emergency medical response services – all costs that are eligible to be paid by CRF resources per guidelines issued by the U.S. Treasury Department. Though eligible personal services costs from July 1, 2020 through December 30, 2020 is significantly greater, in recognition of the other efforts funded by CRF, the action here only allocates the amount estimated to be necessary to ensure all CRF proceeds are expended by the end of December.

Reductions to the Local Assistance (-\$8.3 million, from \$30.0 million to \$21.7 million) and Communications and Translation Services (-\$156,000, from \$550,000 to \$394,000) appropriations are recommended, not because the funding is no longer needed, but because not all of the funding can be spent by December 30. The need is expected to continue into the second half of the fiscal year and is addressed with the General Fund revisions discussed later.

A number of other recommended adjustments are a combination of scope modifications and timing constraints as listed below.

- Homeless Sheltering and Support: Increase by \$9.1 million (from \$21.4 million to \$30.5 million) to maximize the use of time-limited CRF funding so that other Federal funding sources can continue to shelter and support vulnerable homeless populations for a more extended period of time. This includes the reallocation of \$6.1 million from the Testing, Tracing and Isolation appropriation described below.
- Food and Necessities: Increase by \$2.0 million (from \$12.0 million to \$14.0 million) reflecting the revised expenditure estimate for food services through December 30, 2020. When including the \$5.6 million of funds previously encumbered in 2019-2020, the total CRF amount for 2020-2021 totals \$19.6 million. Additional funding of \$18.0 million to continue services through June 30, 2021 is discussed below.
- PPE and Disinfection: Establish an appropriation of \$692,000 to pay for estimated costs for personal protective equipment and enhanced cleaning services that is not FEMA reimbursable.
- Testing, Tracing and Isolation: Reduce by \$6.1 million (from \$10.6 million to \$4.5 million), as the City only has an agreement with the County of Santa Clara for isolation services for COVID-19 positive residents unable to safely isolate on their own.
- FEMA Local Match: Reduce by \$5.85 million (from \$7.0 million to \$1.15 million) to reflect the revisions to the costs that will be obligated by FEMA by December 30, 2020.
- Facilities Improvements: Reduce by \$3.0 million (from \$5.5 million to \$2.5 million) to reflect fewer than anticipated facility improvements, \$1.0 million is recommended to continue facility improvements through June 30, 2021, as discussed below.
- Consulting and Planning Support: Reduce by \$1.7 million (from \$2.2 million to \$518,000) to primarily reflect the reduced need for outside expert advice for EOC support and fiscal recovery, though \$500,000 is recommended to continue assistance through June 30, 2021, as discussed below.

The above actions also consider the approximately \$1.5 million of interest earned on the CRF proceeds that have been reinvested into the provision of emergency support services.

Department Budget Reductions in the General Fund

While the 2020-2021 Adopted Operating Budget included the various sources and allocation of emergency response funding, the original departmental budgets were not reduced to reflect the redeployment of staff for COVID-19 emergency response and support. This was due to the dynamic nature of the pandemic, the corresponding uncertainty of specific response levels, and the prioritization of direct, outward-facing community services to the extent possible. However, it was always anticipated that the level of staff actual staff redeployment would be significant.

As described above, that cost is estimated at \$24.8 million from July 1, 2020 through December 30, 2020. Of this amount, \$18.5 million is estimated to come from staff previously budgeted within individual department's General Fund personal services appropriation. Department budgets are therefore recommended to be reduced by the same amount. The largest reductions come from the Fire Department (\$9.0 million), Parks, Recreation and Neighborhood Services (PRNS) (\$2.8 million), the City Manager's Office (\$1.8 million), the Police Department (\$1.2 million), and the Public Works Department (\$927,000). Attachment A contains the full list of departmental budget reduction transactions.

The remaining estimated personal services costs of \$6.3 million that will be allocated to the CRF will not result in General Fund savings, as these costs are incurred by staff originally budgeted to restricted Special and Capital Funds, the PRNS Fee Activity expense appropriation that is typically offset with fee revenue whose reduction would not result in General Fund savings, as well as General Fund City-Wide and Capital appropriations that will likely still need the original funded amounts to complete the originally intended programs and projects.

Use of the 2020-2021 Continuity of Operations Reserve

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."*⁷

The 2020-2021 Continuity of Operations Reserve was originally 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. Budget actions approved by the City Council on September 22, 2020 allocated \$11.0 million to supplement the City's response effort and maintenance of essential services: Digital Inclusion (\$6.0 million), BeautifySJ (\$3.0 million), and Remote Work Facilitation (\$2.0 million).

⁷ MBA #3: <https://www.sanjoseca.gov/home/showdocument?id=59055>

This memorandum recommends liquidating the remaining \$14.0 million from the reserve and reallocating to support the response and support activities described in the following section.

Reallocation of Limited General Fund Resources to Support Response

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. While the CRF must be expended by December 30, 2020, the City is still spending from the variety of other external funding sources that support emergency response and relief efforts. However, because many of those funding sources are restricted, the expiration of CRF – a funding source with a relatively broad range of eligible uses – jeopardizes key work efforts included in the roadmap.

The budget actions described above free up General Fund resources totaling \$32.5 million - \$18.5 million from departmental savings and \$14.0 million from the 2020-2021 Continuity of Operations Reserve – that can be reallocated as bridge funding to continue certain EOC activities from January 1, 2021 through June 30, 2021. The prioritization of this funding is 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	+ County wide food distribution, focusing first on the most at-risk and then, scale and sustain
• Food & Necessity Distribution and Feeding	+ Support seniors in isolation
– Senior Support and Services	+ Support medically at-risk populations in isolation
– Medically At-Risk Support and Services	+ Increase shelter, hygiene services and health support to homeless population
• Homeless Support and Services (Shelter Delivery and Quarantine)	+ Local assistance for individuals and families
• Local Assistance for:	+ Support small businesses and develop understanding of new forms of assistance (e.g. SBA) and begin to operationalize
– Individuals and Families	
– Small Business and Non-Profit Support	
4. Powered by People – Support our people so they can act	+ Support safety of City Staff performing essential services
• Ensure Safety of City Staff Performing Essential Services	+ Prioritize testing, child care, and other support services for staff performing essential services
• Families Support for City Staff Performing Essential Services (including childcare)	+ Temporarily re-assign staff in non-essential services to essential or emergency management functions
• Redeploying Staff to Essential Services and Response	
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	+ Coordinated approach to federal, state, local, and privately raised funds with a focus on effective response and cost recovery for the City organization
• Maximizing Cost-Recovery (CalOES and FEMA)	
• Securing Funding State, Federal and Private Grants	
8. Future Planning	+ Understanding future trajectory and impacts of COVID-19

The Administration recommends the following City-Wide Expenses allocations in the General Fund that are aligned with the EOC Roadmap to continue City response efforts from January 1, 2021 through June 30, 2021.

COMPLIANCE WITH PUBLIC HEALTH ORDERS

- Communications and Translation Services: \$200,000. This action allocates \$200,000 for a broad range of communications and translation services to provide the community with timely and accurate information in a variety of formats.

CONTINUITY OF ESSENTIAL CITY SERVICES

- BeautifySJ – Illegal Dumping: \$1,500,000. This action allocates \$1.5 million to continue homeless encampment trash collection and illegal dumping abatement services. Combined with the initial \$3.0 million General Fund allocation approved on September 22, 2020 that still remains available, along with \$500,000 from the Federal Emergency Solutions Grant as part of the Homeless Sheltering and Support category, approximately \$5.0 million will be available to continue the Service 1.0 model described at the December 4, 2020 City Council Study Session.
- Facilities Improvements: \$1,000,000. This action allocates \$1.0 million for the variety of improvements required across the City to protect employees and the public as City operations continue and/or restart.
- PPE and Disinfection: \$500,000. This action allocates \$500,000 to ensure – along with the action immediately above – that City employees are equipped with appropriate personal protective equipment and that City facilities are safe environments within which to conduct essential services.

SUPPORT FOR AT-RISK COMMUNITIES AND POPULATIONS

- Food and Necessities: \$18,000,000. The Administration estimates that approximately \$19.6 million will be spent in this category from July 1, 2020 through December 30, 2020. This action allocates \$18.0 million to continue food and necessities services through June 30, 2021, which represents a slightly lower rate of expenditures than the previous six months with the hope that conditions improve later in the spring. As one of the most critical roles the City has undertaken since the pandemic's onset, the expenditure rate will be closely monitored to determine if reallocations will be needed to provide additional support to this program.
- Local Assistance: \$8,800,000. This action provides \$8.8 million to continue the original Local Assistance commitments that are not anticipated to be spent by December 30, 2020 (\$8.3 million), and an additional infusion to support childcare and Rock & Learn services for at-risk communities (\$500,000) that maintains these services through the end of the year and with recent shelter-in-place orders by the County of Santa Clara.

It is important to note that Homeless Sheltering and Support is not recommended to receive General Fund resources because other eligible funding sources have been secured to continue services into 2021 as shown below in Table 4.

FUNDING AND COST RECOVERY

- FEMA Local Match: \$2,000,000. This action allocates \$2.0 million for the Local Match requirement to receive FEMA reimbursements. Based on revisions for the estimated costs that are FEMA-reimbursable, the total local match amount over a two-year period has been revised down from \$7.0 million to \$3.15 million (\$1.15 million for expenditures that are currently obligated by FEMA and approximately \$2.0 million expected to be obligated in the future). This funding primarily supports food distribution efforts and PPE purchases. It is important to note that this amount varies depending on the total cost expended and the amounts that FEMA deems eligible. If food distribution or PPE costs trend higher, the City will need to reallocate resources or identify an additional funding source through a future budget process.
- Consulting and Planning Support: \$500,000. This action allocates \$500,000 to ensure 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.

Summary of Total Estimated Response Costs

Table 4 below provides a summary of the total estimated cost for the various categories of expenditures.

Table 4. COVID-19 Emergency Response Efforts:
Sum of 2019-2020 Actuals and Revised 2020-2021 Budget (\$)

Response Effort	Coronavirus Relief Fund (CRF)			General Fund				Total Estimated Cost
	Modified Budget as of Sep 22, 2020 + Interest	Recommended Budget Adjustment	Revised CRF Allocation	Modified Budget as of Sep 22, 2020	Recommended Budget Adjustment	Revised General Fund Allocation	Other Sources (FEMA, Housing, etc.)	
BeautifySJ Illegal Dumping	-	-	-	3,000,000	1,500,000	4,500,000	-	4,500,000
Communications & Translation Services	706,120	(156,000)	550,120	-	200,000	200,000	-	750,120
Consulting and Planning Support	3,038,753	(1,682,000)	1,356,753	-	500,000	500,000	-	1,856,753
COVID-19 Personal Services	70,019,746	14,765,000	84,784,746	-	-	-	865,998	85,650,744
Digital Inclusion	-	-	-	6,000,000	-	6,000,000	400,000	6,400,000
Facilities Improvements	5,640,222	(3,030,000)	2,610,222	-	1,000,000	1,000,000	-	3,610,222
FEMA Matching Expense	7,000,000	(5,850,000)	1,150,000	-	2,000,000	2,000,000	-	3,150,000
Food Distribution and Necessities	23,960,072	1,996,000	25,956,072	-	18,000,000	18,000,000	5,778,902	49,734,974
Homeless Sheltering and Support	26,395,362	9,100,000	35,495,362	-	-	-	116,973,579	152,468,941
Local Assistance	30,017,605	(8,264,000)	21,753,605	-	8,800,000	8,800,000	-	30,553,605
PPE & Janitorial Services	192,097	692,000	884,097	-	500,000	500,000	4,460,415	5,844,512
Remote Work Facilitation	725,372	-	725,372	2,000,000	-	2,000,000	-	2,725,372
Testing, Tracing and Isolation	10,600,000	(6,100,000)	4,500,000	-	-	-	-	4,500,000
Unallocated (CRF Interest)	1,471,000	(1,471,000)	-	-	-	-	-	-
Total	179,766,349	0	179,766,349	11,000,000	32,500,000	43,500,000	128,478,894	351,745,243

Contract Amendment Authority

The San José Municipal Code currently authorizes the City Manager or his designee to enter into contracts on behalf of the City of up to \$320,000 in most circumstances. The Administration is proposing a limited expansion of this signing authority for amendments to CRF-funded contracts. This expansion would allow CRF contracts to be amended and extended in accordance with the Appropriation Ordinance and Funding Source Resolutions without returning to the City Council for approval. Any contracts where funding is increased more than \$1 million would require returning to Council for approval.

By adopting the resolution recommended in (c), the Administration can move quickly to amend existing contracts and ensure continuity of service to our vulnerable residents in the new year. The Administration does not recommend this action lightly, but is mindful of the workload issues related to agendaing and bringing forward multiple contracts (most of which have previous Council approval) to Council on December 15, 2020. In addition, this authority would only apply to contracts related to the local emergency that were funded with CRF funds and executed prior to December 8, 2020. The Administration would update Council via informational memorandum of the contracts that are amended, as it currently does with certain departmental contracts entered into under the City Manager's signing authority.

CONCLUSION

Guided by the Emergency Operations Roadmap, the City's work to respond to the pandemic and protect our most vulnerable residents continues. This memorandum represents the Administration's best efforts to anticipate current and future needs for EOC-directed activities and allocate those needs against eligible funding sources. Without additional Federal funding, the scope of the City's response is limited and focused on compliance with public health orders, maintaining continuity of operations, and supporting and protecting at-risk populations. The Administration will remain agile to respond to changing conditions and funding availability, and will provide future updates and recommendations to the City Council as appropriate.

EVALUATION AND FOLLOW-UP

The Administration will return to the City Council in February 2021 with any needed adjustments to the CRF to align final expenditures with budgeted allocations, true-up departmental budget(s) with any expenditure increases/decreases, and make adjustments to the General Fund to account for any additional revisions to FEMA reimbursement estimates as necessary.

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 City Attorney's Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

COST SUMMARY/IMPLICATIONS

The recommended actions included in this memorandum and as displayed in Attachment A represent the Administration's most current estimate of the expenditure of CRF proceeds through December 30, 2020, and allow for the continuation of certain EOC-directed activities absent any additional external resources. Adjustments to FEMA-related revenues and costs budgeted in the Emergency Reserve Fund are not recommended at this time due to the uncertainty of spending rates and FEMA's actions to obligate funding.

As information is available regarding any new State or Federal legislation that would provide additional funding to the City, should reconciled expenses require further refinement of budgeted allocations, and should public health conditions and orders require changes to EOCs response efforts, the Administration will bring forward recommended budget adjustments as necessary.

HONORABLE MAYOR AND CITY COUNCIL

December 4, 2020

Subject: Fiscal Recovery Update and Coronavirus Relief Fund Rebalancing

Page 17

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 Lee Wilcox, Chief of Staff/EOC Director, at lee.wilcox@sanjoseca.gov or 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
December 08, 2020, City Council Item 3.5**

Department/Proposal		Use			Source			Net Cost
		Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance	
DEPARTMENTAL EXPENSES								
City Auditor's Office	Personal Services	\$ (98,000)	-	-	\$ (98,000)	-	-	\$ (98,000)
City Clerk's Office	Personal Services	\$ (13,000)	-	-	\$ (13,000)	-	-	\$ (13,000)
Office of the City Manager	Personal Services	\$ (1,767,000)	-	-	\$ (1,767,000)	-	-	\$ (1,767,000)
City Manager - Office of Economic Development	Personal Services	\$ (157,000)	-	-	\$ (157,000)	-	-	\$ (157,000)
Environmental Services Department	Personal Services	\$ (398,000)	-	-	\$ (398,000)	-	-	\$ (398,000)
Finance Department	Personal Services	\$ (283,000)	-	-	\$ (283,000)	-	-	\$ (283,000)
Fire Department	Personal Services	\$ (8,960,000)	-	-	\$ (8,960,000)	-	-	\$ (8,960,000)
Housing Department	Personal Services	\$ (23,000)	-	-	\$ (23,000)	-	-	\$ (23,000)
Human Resources Department	Personal Services	\$ (483,000)	-	-	\$ (483,000)	-	-	\$ (483,000)
Information Technology Department	Personal Services	\$ (379,000)	-	-	\$ (379,000)	-	-	\$ (379,000)
Library Department	Personal Services	\$ (399,000)	-	-	\$ (399,000)	-	-	\$ (399,000)
Parks, Recreation and Neighborhood Services Department	Personal Services	\$ (2,836,000)	-	-	\$ (2,836,000)	-	-	\$ (2,836,000)
Planning, Building and Code Enforcement	Personal Services	\$ (185,000)	-	-	\$ (185,000)	-	-	\$ (185,000)
Police Department	Personal Services	\$ (1,227,000)	-	-	\$ (1,227,000)	-	-	\$ (1,227,000)
Public Works Department	Personal Services	\$ (927,000)	-	-	\$ (927,000)	-	-	\$ (927,000)
Transportation Department	Personal Services	\$ (365,000)	-	-	\$ (365,000)	-	-	\$ (365,000)
DEPARTMENTAL EXPENSES TOTAL		\$ (18,500,000)	\$ -	\$ -	\$ (18,500,000)	\$ -	\$ -	\$ (18,500,000)

ATTACHMENT A

General Fund
 2020-2021 Recommended Budget Adjustments
 December 08, 2020, City Council Item 3.5

Department/Proposal	Use				Source		Net Cost	
	Personal Services	Non-Personal/ Equipment	Other	Total Use	Revenue	Beg Fund Balance		
CITY-WIDE EXPENSES								
Parks, Recreation and Neighborhood Services Department	BeautifySI Illegal Dumping	\$ -	-	1,500,000	\$ 1,500,000	-	-	\$ 1,500,000
Office of the City Manager	Communications and Translation Services	\$ -	-	200,000	\$ 200,000	-	-	\$ 200,000
	Consulting and Planning Support	\$ -	-	500,000	\$ 500,000	-	-	\$ 500,000
	Facilities Improvements	\$ -	-	1,000,000	\$ 1,000,000	-	-	\$ 1,000,000
	FEMA Local Match	\$ -	-	2,000,000	\$ 2,000,000	-	-	\$ 2,000,000
	Food and Necessities	\$ -	-	18,000,000	\$ 18,000,000	-	-	\$ 18,000,000
	Local Assistance	\$ -	-	8,800,000	\$ 8,800,000	-	-	\$ 8,800,000
	PPE & Janitorial Services	\$ -	-	500,000	\$ 500,000	-	-	\$ 500,000
	CITY-WIDE EXPENSES TOTAL	\$ -	\$ -	\$ 32,500,000	\$ 32,500,000	\$ -	\$ -	\$ 32,500,000
EARMARKED RESERVES								
	2020-2021 Continuity of Operations Reserve	\$ -	-	\$ (14,000,000)	\$ (14,000,000)	-	-	\$ (14,000,000)
	EARMARKED RESERVES TOTAL	\$ -	\$ -	\$ (14,000,000)	\$ (14,000,000)	\$ -	\$ -	\$ (14,000,000)
	TOTAL GENERAL FUND	\$ (18,500,000)	\$ -	\$ 18,500,000	\$ -	\$ -	\$ -	\$ -

ATTACHMENT A

Special Funds
 2020-2021 Recommended Budget Adjustments
 December 08, 2020, City Council Item 3.5

Department/Proposal	Use			Ending Fund Balance	Total Use	Source		Net Cost	
	Personal Services	Non-Personal/ Equipment	Other			Revenue	Beg Fund Balance		
Coronavirus Relief Fund (401)									
Budget Adjustments									
	Revenue from the Use of Money/Property (Interest)	-	-	\$ -	\$ -	\$ -	800,020	-	\$ (800,020)
	Communications and Translation Services	-	-	\$ (156,000)	\$ -	\$ (156,000)	-	-	\$ (156,000)
	Consulting and Planning Support	-	-	\$ (1,682,000)	\$ -	\$ (1,682,000)	-	-	\$ (1,682,000)
	COVID-19 Emergency Response Reserve	-	-	\$ -	\$ -	\$ -	-	-	\$ -
	COVID-19 Personal Services	-	-	\$ 14,765,000	\$ -	\$ 14,765,000	-	-	\$ 14,765,000
	Digital Inclusion	-	-	\$ -	\$ -	\$ -	-	-	\$ -
Office of the City Manager	Facilities Improvements	-	-	\$ (3,030,000)	\$ -	\$ (3,030,000)	-	-	\$ (3,030,000)
	FEMA Local Match	-	-	\$ (5,850,000)	\$ -	\$ (5,850,000)	-	-	\$ (5,850,000)
	Food and Necessities	-	-	\$ 1,996,000	\$ -	\$ 1,996,000	-	-	\$ 1,996,000
	Homeless Sheltering and Support	-	-	\$ 9,100,000	\$ -	\$ 9,100,000	-	-	\$ 9,100,000
	Local Assistance	-	-	\$ (8,264,000)	\$ -	\$ (8,264,000)	-	-	\$ (8,264,000)
	PPE & Janitorial Services	-	-	\$ 692,000	\$ -	\$ 692,000	-	-	\$ 692,000
	Remote Work Facilitation	-	-	\$ -	\$ -	\$ -	-	-	\$ -
	Testing, Tracing and Isolation	-	-	\$ (6,100,000)	\$ -	\$ (6,100,000)	-	-	\$ (6,100,000)
	Ending Fund Balance Adjustment	-	-	\$ -	\$ (670,980)	\$ (670,980)	-	-	\$ (670,980)
	Clean-Up and Rebudget Actions Total	\$ -	\$ -	\$ 1,471,000	\$ (670,980)	\$ 800,020	\$ 800,020	\$ -	\$ -
	CORONAVIRUS RELIEF FUND (401) TOTAL	\$ -	\$ -	\$ 1,471,000	\$ (670,980)	\$ 800,020	\$ 800,020	\$ -	\$ -