

# Item 3.6: COVID-19 Pandemic Response and Community and Economic Recovery Budget Adjustments

November 30, 2021

Jim Shannon, Budget Director

# Recommendations

- (a) Accept the report on recommended adjustments to the City's COVID-19 pandemic response and community and economic recovery budget.
- (b) Approve the position additions for various City Departments in support of pandemic response and recovery efforts as described in Attachment B.
- (c) Adopt 2021-2022 Appropriation Ordinance and Funding Sources Resolution amendments in the American Rescue Plan Fund, the Emergency Reserve Fund, and the General Fund as described in Attachment C.

# Workstreams for 18 Recovery Initiatives

## Housing Stabilization

- Emergency Rental Assistance
- Eviction Help Center
- Hotel Sheltering Operation + Services
- Isolation + Quarantine
- South Hall Demobilization + Housing Assistance Center

## Re-Employment + Workforce Development

- Environment Resilience Corps\*
- Food Distribution Resilience Corps\*
- Guadalupe River Park + Coyotes Creak Clean-Up Resilience Corps \*
- Learning Resilience Corps\*
- Small Business Resilience Corps\*
- Vaccine Champions Resilience Corps\*

## Food + Necessities Distribution

- Continued Food Services

## Digital Equity

- Comms, Outreach, + Education\*
- Community WiFi\*
- Data Equity Lead\*
- Device Access\*

## Child Care

- Continued Child Care Services
- San José Learns\*

## Small Business Recovery

- Downtown Outdoor Activities Marketing Campaign
- Downtown Pedestrian Quality of Life + Streetscape Improvement
- Quetzal Gardens Operations
- San José Abierto\*
- San José Al Fresco\*
- Shop Local Hub to Support Neighborhood Business Districts
- Small Business + Manufacturing Recovery Initiative\*
- Small Business Direct Outreach (Spanish + Vietnamese)
- Small Business Displacement Index Study
- Small Business Grants
- Small Business Technical Assistance Revamp
- Storefront Activation Grants\*
- Supplemental Arts + Cultural Funding
- Supplemental Business Development Communications
- Supplemental Economic Development Association Capacity Building
- Supplemental Legal Assistance for Tenants
- Support Festival Programming
- Underwrite Creation of New Property Business Improvement Districts
- Virtual Accelerator Program for New Businesses

## Build Back Better + COVID-19 Recovery Task Force

- City Manager's Office Recovery Team
- COVID-19 Recovery Taskforce + Community Engagement
- Emergency Public Information

## Emergency Housing Construction + Operation

- Site Identification + Construction\*

## Sheltering + Enhanced Encampment Services

- Homeless Services Outreach Assistance + Resources (SOAR)\*

## Encampment Waste Pick-Up BeautifySJ

- BeautifySJ Consolidated Model\*
- BeautifySJ Grants
- Downtown Automated Public Toilets
- SJ Bridge Public Restrooms\*
- Vehicle Abatement Program + Proactive Patrol + Complaint Response

## Vaccination Task Force

- Vaccination Support

## Other Foundational

- Continuity of City Services
- Employee Health + Wellness
- Federal + State Recovery Advocacy

## Safe Workplace

- Continued Safe Workplace Program

## Drive to Digital

- Hybrid Workplace
- Omnichannel Strategy, Process Engineering, + Service Automation
- OneCity Workplace

## Effective Teams

- Recovery Recruiting + Hiring

## Other

- San José Aspires Administrative Support\*
- YIGBY Land Use Policy Development\*
- Energy Saving Retrofits\*

# Importance of Preserving ARP Funds for the 2022-2023 Budget Development Process

- City recently informed by State of California that a portion of the City's previous and current tax revenues could be significantly lower
  - City disagrees and appeal process likely to extend beyond 2022-2023; need to set aside resources over the next year to be in a better position to absorb any loss
  - With limited exceptions, tax records are confidential under State law
- Need to place the potential tax revenue loss in context within the broader 2023-2027 Five Year General Fund Forecast released at end of February 2022
- Consider priorities of the City Council and community in the context of the budgetary situation
  - 2021-2022 Adopted Budget relied on a significant amount of one-time funding (e.g. restoration of library branch hours, Project Hope expansion, Police Sworn Hire Ahead Program)
  - Evaluate ability to continue ARP-funded workstreams
  - Consider the need to augment core City services that do not meet desired expectations

# Approach to Prioritizing Funding Recommendations

- **Equity** – will these dollars help those most in need?
- **Urgency** – are these dollars needed to address an issue that cannot wait for the budget process, and will they largely be spent or encumbered by June 30, 2022?
- **Organizational Capacity** – can the City credibly deliver the intended result with the provided funding?
- **No Other Funding Source** – is there any other funding source that could address the issue or need?
- **Maintain Critical City Operations in a Hybrid Work Environment** – is the funding necessary to maintain or support critical City operations that must now function in a hybrid environment post-COVID?

# Eligible Uses and Funding Workstreams via Revenue Loss Reimbursement

- U.S. Treasury Department Interim Final Rule authorizes a wide range of eligible uses that:
  - Respond to direct public health impacts
  - Help individuals, communities, and governments recover from economic impacts
  - Provide support to communities disproportionately impacted by the pandemic
- Direct expenditure allocations within the ARP Fund generally must make a connection to the pandemic's impacts and provide evidence-based accountability through performance measures
- If not directly eligible under ARP rules, services can be funded through revenue loss reimbursement from the ARP Fund to the General Fund, as sufficient capacity exists
  - A total of \$7.4 million recommended via revenue loss reimbursement, subject to revision
  - Any City Council-approved amendments to staff recommendation will be evaluated for eligibility; revenue loss reimbursement adjustment may be brought forward as part of a future budget process

# Recovery Workstream Budget Adjustments

ARP Fund Allocation to City: \$212.3 million

Current Total Amount Allocated: \$129.8 million

**Recommended Budget Adjustment: \$18.3 million in ARP Fund**

City Roadmap Recovery Workstream (Largest Adjustments)	ARP Fund Adjustment
BeautifySJ Consolidated Model	\$3.8 million
Food Services and Food Distribution Resilience Corps	\$2.7 million
Recovery Management, Coordination and Compliance (two-year allocation)	\$2.3 million
Community Wi-Fi	\$1.5 million
Emergency Housing Construction and Operation (multi-year allocation)	\$1.5 million
San José Bridge	\$1.3 million
Downtown Homeless Health Response and Support Pilot	\$1.2 million
Audio Visual Upgrades to Chambers and Committee Rooms	\$1.1 million
Child and Youth Services	\$1.0 million

ARP Funds Remaining for Future and Continued Recovery Initiatives: **\$64.2 million**

# Potential Use of Measure E Funds – Emergency Interim Housing Communities

- *Compassionate San Jose – Bold Housing Solutions*
  - Goal of 1,000 pandemic-era emergency interim housing community (EIHC) units and 300 HomeKey motel units
  - Gave direction to staff, in part, to “identify the requisite amount of HomeKey, ARPA, HHAP [Homeless Housing, Assistance and Prevention], or other eligible public funding” to construct and operate an additional six EIHCs
- Construction costs will likely exceed \$120 million
- Annual operating costs will likely exceed \$53 million
- Administration will return with a recommendation for the City Council to authorize the use of a portion of Real Property Transfer Tax revenues (Measure E) to help supplement other funding sources for EIHC construction and operating costs
- Process to modify budget allocations per City Council Policy 1-18, Section 22
  - Publish a notice 60 days in advance of the change and hold two public hearings
  - Housing and Community Development Commission reviews and provides comments transmitted to the City Council
  - Approval requires 2/3 vote of the City Council



# Additional Funding Needs and Implications for 2022-2023 Proposed Budget Development

- Support of County of Santa Clara Isolation and Quarantine Program  
*(working to have the program fully obligated by FEMA)*
- Evaluate the continuation of community and economic recovery workstreams and staffing levels as part of the Proposed Budget process; not enough ARP funds to continue all workstreams at current or intended levels
  - As an example, BeautifySJ Consolidated Model – a new ongoing City service – is not supported by ongoing resources, including staffing levels
  - Connecting, engaging with, and supporting our community will remain a primary focus
- Will explore using other City funds, as appropriate, if ARP resources are insufficient and even if the trade-off might mean the discontinuation of other existing services

# Next Steps

- Monitor response and recovery efforts and evaluate continuation as part of 2022-2023 budget development process; minor adjustments to current year may be brought forward as part of the 2021-2022 Mid-Year Budget Review
- Update City Council on the State of California arrearages program for the Water Utility Program and San José Clean Energy; explore options to relieve resident pandemic debt through fees and fines issued by the City
- Request City Council authorization to receive other sources of funding to further community and economic recovery efforts
  - Federal Infrastructure Package
  - Californians for All Youth Workforce Program
  - Clean California
- Recommend modification to allocation of Measure E revenues

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# APPENDIX

# BeautifySJ Consolidated Model

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
BeautifySJ Consolidated Model	\$10,200,000	\$3,800,000	\$14,000,000

## Expected Service Delivery

- New team focused on blight and encampments near waterways and highways, with intergovernmental partner coordination and equipment and materials
- Abatement and clean-up of the 40-acres Guadalupe Gardens sites
- Illegal dumping strike team to proactively address high priority areas and lower response times for complaints
- Vendor services for maintaining and adding new buffer zones and setbacks



# Food Services + Food Distribution Resilience Corps

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Food Services	\$12,037,771	\$750,000	\$12,787,771
Food Distribution Resilience Corps	\$6,400,000	\$1,900,000	\$8,300,000

## Expected Service Delivery

- Continued food services to extend programs through March 2022; Administration expects County to resume its responsibility for food insecurity-related services county-wide
- Continued staffing support for Second Harvest Food Bank by the San José Conservation Corps to extend through March 2022 with approximately 120 employees supporting food boxing program



# Emergency Housing Construction and Operation

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Community Wi-Fi	\$750,000	\$1,500,000	\$2,250,000

## Expected Service Delivery

- Fund community Wi-Fi network construction at Independence, Andrew P. Hill, and Oak Grove high school attendance areas
- Expected to substantially address the shortfall resulting from increased equipment costs, contractual services for network performance management monitoring, and labor shortages
- Emergency Connectivity Grant from Federal Government for hotspots and other devices, if successfully awarded, could allow for a reallocation of other Digital Equity ARP funding to provide additional resources to this workstream



# Emergency Housing Construction and Operation

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Emergency Housing Construction and Operation	\$2,500,000	\$1,500,000	\$4,000,000

## Expected Service Delivery

- Help meet the objectives of the Compassionate San José – Bold Housing Solutions memorandum approved by the Rules and Open Government Committee (9/29/2021)
- Staffing support for property research and identification, conceptual layouts, and feasibility analysis, and related geographic information system (GIS) work for 1,000 pandemic-era emergency interim housing community units and 300 HomeKey motel units under construction or completed by December 2022





# San José Bridge Program

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
San José Bridge Program	\$1,100,000	\$1,300,000	\$2,400,000

## Expected Service Delivery

- Fully funds original commitment in the 2021-2022 Adopted Budget for an SJ Bridge Program of 100 participants through June 30, 2023
- Engage unhoused community members with job training opportunities while helping to beautify and clean San José; offer participants housing opportunities



# Child and Youth Services

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Child and Youth Services	\$800,000	\$1,000,000	\$1,800,000

## Expected Service Delivery

- Provide financial capacity to engage in accessible childcare and education opportunities as identified and prioritized with the implementation of the Children and Youth Master Plan
- Potential uses include additional afterschool programming if requested by schools; assisting pre-school and daycare providers serving low-income communities; supporting non-profits focused on child emotional wellness; expansion of 100% scholarship funding



# Downtown Homeless Health Response and Support

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Downtown Homeless Health Response and Support	\$0	\$1,200,000	\$1,200,000

## Expected Service Delivery

- Provide focused response activities to unsheltered residents in the Downtown area, such as mental health and crisis response and support
- Create two multi-disciplinary teams of a clinical case manager, outreach case manager, and a peer support specialist provided by PATH or a similar support service agency for 12 months



# Community Engagement

City Roadmap Recovery Workstream	2021-2022 Modified Budget	Adjustment Request	2021-2022 Revised Budget
Community Engagement	\$0	\$500,000	\$500,000

## Expected Service Delivery

- Equip the City with more capacity to engage in robust public engagement efforts such as online workshops and surveys, polls, mapping, gamification techniques, storytelling, and artistic expression
- Leverage the “Promotores” model as a tool to identify the recovery needs of the hardest-to-reach community members and connect with support services



# Revenue Loss Reimbursement Transfer

## Workstreams recommended to be funded through revenue loss reimbursement from the ARP Fund:

- BeautifySJ Grants
- Downtown Automated Public Toilets
- Dumpster Days
- Vehicle Abatement Program, Proactive Patrol and Complaint Response
- Family, Friend and Neighborhood Program
- Data Equity Lead
- Audio Visual Upgrades to Chambers and Committee Rooms
- Contract Processing and Support (City Clerk)
- Hybrid Workplace
- Omnichannel Strategy, Process Engineering, and Service Delivery Automation
- OneCity Workplace
- Downtown Pedestrian Quality of Life and Streetscape Improvements
- Supplemental Arts and Cultural Grant Funding
- Support Festival Programming

**Total: \$7.4 million**

# Initial Recovery Workstream Prioritization through **Racial Equity**

## Community Impact

- **How equitable is the initiative? Who is benefitting? Who is burdened? What neighborhoods?**
- What is the relative value to the community and how does it contribute? How many people are served?
- **Is this serving marginalized communities? Is it intersectional? Are there higher order positive impacts?**
- What is the magnitude of impact/change and change to the efficiency or effectiveness of service?

## Opportunity Enablement / Risk Mitigation

- Would failure open the community up to risk for human, material, economic, or environmental losses?
- **Does this serve an at-risk population? What is the risk within certain neighborhoods in the City?**
- How reimbursable is this? Does this bring in tax revenue?
- Does this initiative pave the way for others which need this to come first?
- How likely is not completing the initiative to cause litigation against the organization?

## Time Criticality

- **How susceptible is the neighborhood to pandemic impact in the short-term?**
- How important is it that this initiative gets done quickly?
- Is there no other solution? Are other partners better at providing the solution?
- Is there another external funding source to move on to? Are they eligible for another solution?
- **What is the current community impact, especially marginalized communities, if we do not complete?**

## Job Duration

- How long will the initiative take to execute?
- How complex and how many unknowns does the initiative have?
- How many dependencies are outside of our control? How controversial is the initiative?
- How is the relationship with the partner?
- How much staff time and effort will this take?

# San José City Roadmap | FY 2021-2022

Enterprise Priority	Project						Strategy		Policy					
COVID-19 Pandemic: Community + Economic Recovery	Housing Stabilization	Re-Employment + Workforce Development	Small Business Recovery	Food + Necessities Distribution	Digital Equity	Child Care			Build Back Better + Recovery Task Force					
Emergency Management + Preparedness	Vaccination Task Force									Soft-Story Building Earthquake Retrofit Policy				
Creating Housing + Preventing Homelessness	Emergency Housing Construction + Operation	Sheltering + Enhanced Encampment Services							North San José Strategy		Encampment Management + Safe Relocation Policy			
Safe, Vibrant, + Inclusive Neighborhoods + Public Life	Police Reforms Work Plan	San José 311 + Service Delivery	Encampment Waste Pick-Up BeautifySJ	Vision Zero Traffic Safety							Equity Strategy Development	Neighborhood Services Access Strategy		
Building the San José of Tomorrow with a Downtown for Everyone	Align Zoning with General Plan	Development Services Transformation	Google Development	Major Real Estate Development Projects							BART + High-Speed Rail Strategy			
Smart, Sustainable, + Reliable City: 21 <sup>st</sup> Century Infrastructure	Pavement, Fire, EOC, Transit Capital Improvements	Regional Wastewater Facility Capital Improvements	Electrical Service for Major Development	Climate Smart American Cities Climate Challenge							Lowering PG&E Above Market Costs for Clean Energy			
Enterprise Priority Foundational	Project						Strategy		Policy					
Strategic Fiscal Positioning + Resource Deployment	Federal + State Recovery Advocacy	Secure City Cybersecurity	Procurement Improvement	Pension Obligation Bond Analysis							Budgeting for Equity	City Roadmap Budgeting, Accountability, + Performance		
Powered by People	Continuity of City Services	Safe Workplace	Employee Health + Wellness	Drive to Digital	Effective Teams							City Workforce Diversity + Skill Building		

# San José City Roadmap | FY 2021-2022

**Legend:** ■ COVID-19 Response ■ Enterprise Initiatives

Enterprise Priority
COVID-19 Pandemic: Community + Economic Recovery
Emergency Management + Preparedness
Creating Housing + Preventing Homelessness
Safe, Vibrant, + Inclusive Neighborhoods + Public Life
Building the San José of Tomorrow with a Downtown for Everyone
Smart, Sustainable, + Reliable City: 21 <sup>st</sup> Century Infrastructure

Project					
Housing Stabilization	Re-Employment + Workforce Development	Small Business Recovery	Food + Necessities Distribution	Digital Equity	Child Care
Vaccination Task Force					
Emergency Housing Construction + Operation	Sheltering + Enhanced Encampment Services				
Police Reforms Work Plan	San José 311 + Service Delivery	Encampment Waste Pick-Up BeautifySJ	Vision Zero Traffic Safety		
Align Zoning with General Plan	Development Services Transformation	Google Development	Major Real Estate Development Projects		
Pavement, Fire, EOC, Transit Capital Improvements	Regional Wastewater Facility Capital Improvements	Electrical Service for Major Development	Climate Smart American Cities Climate Challenge		

Strategy	
North San José Strategy	
Equity Strategy Development	Neighborhood Services Access Strategy
BART + High-Speed Rail Strategy	
Lowering PG&E Above Market Costs for Clean Energy	

Policy
Build Back Better + Recovery Task Force
Soft-Story Building Earthquake Retrofit Policy
Encampment Management + Safe Relocation Policy

Enterprise Priority Foundational
Strategic Fiscal Positioning + Resource Deployment
Powered by People

Project					
Federal + State Recovery Advocacy	Secure City Cybersecurity	Procurement Improvement	Pension Obligation Bond Analysis		
Continuity of City Services	Safe Workplace	Employee Health + Wellness	Drive to Digital	Effective Teams	

Strategy	
Budgeting for Equity	City Roadmap Budgeting, Accountability, + Performance
City Workforce Diversity + Skill Building	

Policy