

# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Jim Shannon  
Rick Bruneau

**SUBJECT: REALLOCATION OF AMERICAN  
RESCUE PLAN FUNDS**

**DATE:** May 24, 2023

Approved



Date

5/24/2023

## **RECOMMENDATION**

- (a) Approve the reallocation of funding within the American Rescue Plan Fund and the General Fund to ensure completion of community and economic recovery activities previously authorized by the City Council.
- (b) Adopt the 2022-2023 Appropriation Ordinance amendments in the American Rescue Plan Fund and the General Fund as described in Attachment A.

## **SUMMARY AND OUTCOME**

The recommended budget actions reallocate funding between the American Rescue Plan (ARP) Fund and the General Fund in accordance with U.S. Treasury Department regulations to mitigate the risk of a 'claw back' of the City's remaining allocation of resources within the ARP Fund that may result from the federal debt ceiling negotiations between the White House and Congress. The recommended budget actions will not impact any services previously authorized by the City Council and will result in the expenditure or obligation of all ARP Funds prior to the end of May 2023.

## **BACKGROUND**

As a result of the American Rescue Plan Act (ARPA), the City of San José received a total allocation of \$212.3 million of Coronavirus State and Local Fiscal Recovery Funds. Budgeted and expended in the ARP Fund, these resources have provided critical community and economic recovery support including, but not limited to, food distribution, homeless support services, youth education and workforce development, small business assistance, and child and youth services.

ARPA requires that local governments obligate all ARP funds (e.g., encumber funding through the issuance of contracts/purchase orders) by December 31, 2024, and to expend all ARP funds by December 31, 2026. Due to this timeline, a number of the community and economic recovery workstreams were anticipated to be spent over a multi-year period. Of the \$212.3 million initially received in the ARP Fund, a remaining amount of \$94.3 million is included in the 2022-2023 Modified Budget. The current unencumbered balance is \$44.9 million.

Negotiations taking place between the White House and Congress regarding the debt ceiling reportedly involve the potential claw back of ‘unobligated’ ARPA funds. Due to the uncertainty of what would be considered unobligated, the Administration recommends budget reallocations between the ARP Fund and the General Fund to mitigate any impacts to community and economic recovery workstreams previously authorized by the City Council.

### **ANALYSIS**

ARPA allows for governments to reimburse themselves for lost revenue due to the pandemic, and then use that revenue to pay for government services. In accordance with regulations provided by the U.S. Treasury Department, the City’s calculated revenue loss (calculated across all eligible City funding sources) exceeds the \$212.3 million in total ARPA allocated to the City. The City may decide to allocate any and all relief funds to this purpose. Prior to this action, the City has allocated \$62.7 million through the revenue loss provision.

Actions included in the Attachment – 2022-2023 Budget Adjustment Detail recognize \$87.9 million of revenue loss reimbursement that will be used to partially support Police Department field patrol expenditures in 2022-2023. This budget action and subsequent movement of Police Department expenditures from the General Fund to the ARP Fund will enable \$87.9 million of community and economic recovery workstreams currently budgeted in the ARP Fund to be budgeted in the General Fund. While this \$87.9 million is larger than the remaining balance of \$44.9 million, the reallocation of the larger figure provides for cleaner reporting of expenditures to the Treasury Department. Any remaining unspent community and economic recovery funding in the General Fund at the end of 2022-2023 is anticipated to be rebudgeted into 2023-2024 as part of the Adopted Budget process.

### **EVALUATION AND FOLLOW-UP**

Given the expedited nature of this memorandum, technical budgetary clean-up actions may be included in the Approval of Various Budget Actions for Fiscal Year 2022-2023 memorandum that will be considered by the City Council at its meeting on June 20, 2023. This memorandum will include a range of year-end budgetary adjustments to help ensure that appropriations are not over-expended at the end of 2022-2023, align revenues and expenditures with actual performance and assumptions used in the development of the 2023-2024 Operating and Capital Budgets, and recognize new revenues and associated expenditures.

### **COST SUMMARY/IMPLICATIONS**

The recommended budget actions will not result in any service level changes from what was previously authorized by the City Council. This urgent budget action ensures that all ARPA funds provided to the City will be obligated or expended prior to the end of May 2023.

### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Office of Administration, Policy and Intergovernmental Relations.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the City Council Special meeting on May 25, 2023.

### **COMMISSION RECOMMENDATION AND INPUT**

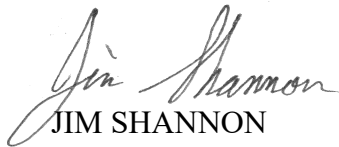
No commission recommendation or input is associated with this action.

### **CEQA**

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

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

  
JIM SHANNON  
Budget Director

/s/  
RICK BRUNEAU  
Director of Finance

For questions, please contact Jim Shannon, Budget Director, at [Jim.Shannon@sanjoseca.gov](mailto:Jim.Shannon@sanjoseca.gov).

# Attachment - 2022-2023 Budget Adjustment Detail

## General Fund

### Recommended Budget Adjustments and Clean-Up Actions

2022-2023

Department/Proposal	Use			Source		Net Cost	
	Personal Services	Non-Personal/ Equipment	Total Use	Revenue	Beginning Fund Balance		
DEPARTMENTAL EXPENSES							
Police Department	Personal Services (American Rescue Plan Act - Revenue Loss)	(87,928,858)	-	(87,928,858)	-	-	(87,928,858)
DEPARTMENTAL EXPENSES TOTAL							(87,928,858)
CITY-WIDE EXPENSES							
	BeautifySJ and Encampment Waste Pick Up - BeautifySJ Consolidated Model	-	14,963,000	14,963,000	-	-	14,963,000
	BeautifySJ and Encampment Waste Pick Up - San Jose Bridge Program	-	7,000,000	7,000,000	-	-	7,000,000
	Build Back Better and COVID-19 Recovery - Community Engagement	-	1,199,000	1,199,000	-	-	1,199,000
	Build Back Better and COVID-19 Recovery - COVID-19 Recovery Taskforce	-	2,469,000	2,469,000	-	-	2,469,000
	Build Back Better and COVID-19 Recovery - Emergency Public Information	-	646,000	646,000	-	-	646,000
	Child and Youth Services - Child and Youth Services Master Plan	-	3,119,000	3,119,000	-	-	3,119,000
	Child and Youth Services - Child and Youth Success	-	355,000	355,000	-	-	355,000
	Child and Youth Services - Childcare Tenant Improvement	-	900,000	900,000	-	-	900,000
	Child and Youth Services - Library	-	2,409,000	2,409,000	-	-	2,409,000
	Child and Youth Services - PRNS (Programs, Experiences, and Scholarships)	-	4,316,000	4,316,000	-	-	4,316,000
	Child and Youth Services - San Jose Learns	-	500,000	500,000	-	-	500,000
	Digital Equity - Community WiFi	-	699,000	699,000	-	-	699,000
	Digital Equity - Device Access	-	1,317,000	1,317,000	-	-	1,317,000
	Digital Equity - Digital Equity Communications, Outreach, + Education	-	656,000	656,000	-	-	656,000
	Emergency Housing - Downtown Homeless Health Response and Support	-	300,000	300,000	-	-	300,000
	Emergency Housing - Emergency Housing Construction and Operation	-	20,000,000	20,000,000	-	-	20,000,000
	Emergency Housing - Sheltering and Enhanced Encampment Services	-	2,839,000	2,839,000	-	-	2,839,000
	Energy Saving Retrofits	-	480,000	480,000	-	-	480,000
	Food and Necessities Distribution - Food Services	-	4,143,000	4,143,000	-	-	4,143,000
	Housing Stabilization - Eviction Help Center	-	1,813,000	1,813,000	-	-	1,813,000
	Housing Stabilization - Hotel Sheltering Operations + Services	-	3,497,000	3,497,000	-	-	3,497,000
	Housing Stabilization - South Hall Demobilization + Housing Assistance Center	-	1,930,000	1,930,000	-	-	1,930,000
	Recovery Foundation and Drive to Digital - Effective Teams	-	298,000	298,000	-	-	298,000
	Recovery Foundation and Drive to Digital - Recovery Management, Coordination and Compliance	-	2,112,858	2,112,858	-	-	2,112,858
	Recovery Foundation and Drive to Digital - Safe Workplace	-	186,000	186,000	-	-	186,000
	Re-Employment and Workforce Development - Environment Resilience Corps	-	200,000	200,000	-	-	200,000
	Re-Employment and Workforce Development - Food Distribution Resilience Corps	-	1,800,000	1,800,000	-	-	1,800,000
	Re-Employment and Workforce Development - Small Business Resilience Corps	-	310,000	310,000	-	-	310,000
	San José Aspires Administrative Support	-	250,000	250,000	-	-	250,000
	Small Business, Non-Profits, and Arts - Council District Outdoor Activation	-	168,000	168,000	-	-	168,000
	Small Business, Non-Profits, and Arts - San José Abierto	-	1,228,000	1,228,000	-	-	1,228,000
	Small Business Recovery - Downtown Outdoor Activities Marketing Campaign	-	200,000	200,000	-	-	200,000
	Small Business Recovery - Quetzal Gardens Operations	-	75,000	75,000	-	-	75,000
	Small Business Recovery - San José Al Fresco	-	719,000	719,000	-	-	719,000
	Small Business Recovery - Shop Local Hub to Support Neighborhood Business Districts	-	100,000	100,000	-	-	100,000
	Small Business Recovery - Small Business + Manufacturing Recovery Initiative	-	637,000	637,000	-	-	637,000
	Small Business Recovery - Small Business Displacement Index Study	-	60,000	60,000	-	-	60,000
	Small Business Recovery - Small Business District Outreach (Spanish + Vietnamese)	-	197,000	197,000	-	-	197,000
	Small Business Recovery - Small Business Technical Assistance Revamp	-	117,000	117,000	-	-	117,000
	Small Business Recovery - Storefront Activation Grants	-	160,000	160,000	-	-	160,000
	Small Business Recovery - Supplemental Business Development Communications	-	375,000	375,000	-	-	375,000
	Small Business Recovery - Supplemental Economic Development Association Capacity Building	-	1,711,000	1,711,000	-	-	1,711,000
	Small Business Recovery - Supplemental Legal Assistance for Tenant	-	300,000	300,000	-	-	300,000
	Small Business Recovery - Underwrite Creation of New Property Business Improvement Districts	-	1,000,000	1,000,000	-	-	1,000,000
	Small Business Recovery - Virtual Accelerator Program for New Businesses	-	175,000	175,000	-	-	175,000
CITY-WIDE EXPENSES TOTAL							87,928,858
GENERAL FUND TOTAL							(87,928,858)

**Special Funds**  
**Recommended Budget Adjustments and Clean-Up Actions**  
**2022-2023**

Department/Proposal		Personal Services	Non-Personal/ Equipment	Use Other	Ending Fund Balance	Total Use	Source Revenue	Beginning Fund Balance	Net Cost
<b>American Rescue Plan Fund (402)</b>									
<b>Budget Adjustments</b>									
Police Department	Public Safety Personal Services (American Rescue Plan Act - Revenue Loss)	87,928,858	-	-	-	87,928,858	-	-	87,928,858
City Clerk's Office	Small Business, Non-Profits, and Arts - Council District Outdoor Activation	-	(168,000)	-	-	(168,000)	-	-	(168,000)
	Build Back Better and COVID-19 Recovery - Community Engagement	-	(1,199,000)	-	-	(1,199,000)	-	-	(1,199,000)
	Build Back Better and COVID-19 Recovery - COVID-19 Recovery Taskforce	-	(2,469,000)	-	-	(2,469,000)	-	-	(2,469,000)
City Manager's Office	Build Back Better and COVID-19 Recovery - Emergency Public Information	-	(646,000)	-	-	(646,000)	-	-	(646,000)
	Child and Youth Services - Child and Youth Success	-	(355,000)	-	-	(355,000)	-	-	(355,000)
	Child and Youth Services - Child and Youth Services Master Plan	-	(3,119,000)	-	-	(3,119,000)	-	-	(3,119,000)
	Recovery Foundation and Drive to Digital - Recovery Management, Coordination and Compliance	-	(2,109,000)	-	-	(2,109,000)	-	-	(2,109,000)
Community Energy Department	Energy Saving Retrofits	-	(480,000)	-	-	(480,000)	-	-	(480,000)
	BeautifySJ and Encampment Waste Pick Up - San Jose Bridge Program	-	(7,000,000)	-	-	(7,000,000)	-	-	(7,000,000)
	Child and Youth Services - Childcare Tenant Improvement	-	(900,000)	-	-	(900,000)	-	-	(900,000)
	Emergency Housing - Downtown Homeless Health Response and Support	-	(300,000)	-	-	(300,000)	-	-	(300,000)
Housing Department	Emergency Housing - Sheltering and Enhanced Encampment Services	-	(2,839,000)	-	-	(2,839,000)	-	-	(2,839,000)
	Emergency Housing - Emergency Housing Construction and Operation	-	(20,000,000)	-	-	(20,000,000)	-	-	(20,000,000)
	Housing Stabilization - Eviction Help Center	-	(1,813,000)	-	-	(1,813,000)	-	-	(1,813,000)
	Housing Stabilization - Hotel Sheltering Operations + Services	-	(3,497,000)	-	-	(3,497,000)	-	-	(3,497,000)
	Housing Stabilization - South Hall Demobilization + Housing Assistance Center	-	(1,930,000)	-	-	(1,930,000)	-	-	(1,930,000)
Human Resources Department	Recovery Foundation and Drive to Digital - Effective Teams	-	(298,000)	-	-	(298,000)	-	-	(298,000)
	Recovery Foundation and Drive to Digital - Safe Workplace	-	(186,000)	-	-	(186,000)	-	-	(186,000)
	Child and Youth Services - San Jose Learns	-	(500,000)	-	-	(500,000)	-	-	(500,000)
Library Department	Child and Youth Services - Library	-	(2,409,000)	-	-	(2,409,000)	-	-	(2,409,000)
	Digital Equity - Community WiFi	-	(699,000)	-	-	(699,000)	-	-	(699,000)
	Digital Equity - Device Access	-	(1,317,000)	-	-	(1,317,000)	-	-	(1,317,000)
	Digital Equity - Digital Equity Communications, Outreach, + Education	-	(656,000)	-	-	(656,000)	-	-	(656,000)
	San José Aspires Administrative Support	-	(250,000)	-	-	(250,000)	-	-	(250,000)
	Re-Employment and Workforce Development - Small Business Resilience Corps	-	(310,000)	-	-	(310,000)	-	-	(310,000)
	Small Business Recovery - Downtown Outdoor Activities Marketing Campaign	-	(200,000)	-	-	(200,000)	-	-	(200,000)
	Small Business Recovery - Quetzal Gardens Operations	-	(75,000)	-	-	(75,000)	-	-	(75,000)
	Small Business Recovery - San José Al Fresco	-	(719,000)	-	-	(719,000)	-	-	(719,000)
	Small Business Recovery - Shop Local Hub to Support Neighborhood Business Districts	-	(100,000)	-	-	(100,000)	-	-	(100,000)
Office of Economic Development and Cultural Affairs	Small Business Recovery - Small Business + Manufacturing Recovery Initiative	-	(637,000)	-	-	(637,000)	-	-	(637,000)
	Small Business Recovery - Small Business Displacement Index Study	-	(60,000)	-	-	(60,000)	-	-	(60,000)
	Small Business Recovery - Small Business District Outreach (Spanish + Vietnamese)	-	(197,000)	-	-	(197,000)	-	-	(197,000)
	Small Business Recovery - Small Business Technical Assistance Revamp	-	(117,000)	-	-	(117,000)	-	-	(117,000)
	Small Business Recovery - Storefront Activation Grants	-	(160,000)	-	-	(160,000)	-	-	(160,000)
	Small Business Recovery - Supplemental Business Development Communications	-	(375,000)	-	-	(375,000)	-	-	(375,000)
	Small Business Recovery - Supplemental Economic Development Association Capacity Building	-	(1,711,000)	-	-	(1,711,000)	-	-	(1,711,000)
	Small Business Recovery - Supplemental Legal Assistance for Tenant	-	(300,000)	-	-	(300,000)	-	-	(300,000)
	Small Business Recovery - Underwrite Creation of New Property Business Improvement Districts	-	(1,000,000)	-	-	(1,000,000)	-	-	(1,000,000)
	Small Business Recovery - Virtual Accelerator Program for New Businesses	-	(175,000)	-	-	(175,000)	-	-	(175,000)
	BeautifySJ and Encampment Waste Pick Up - BeautifySJ Consolidated Model	-	(14,963,000)	-	-	(14,963,000)	-	-	(14,963,000)
Parks, Recreation and Neighborhood Services Department	Child and Youth Services - PRNS (Programs, Experiences, and Scholarships	-	(4,316,000)	-	-	(4,316,000)	-	-	(4,316,000)
	Food and Necessities Distribution - Food Services	-	(4,143,000)	-	-	(4,143,000)	-	-	(4,143,000)
	Re-Employment and Workforce Development - Environment Resilience Corps	-	(200,000)	-	-	(200,000)	-	-	(200,000)
	Re-Employment and Workforce Development - Food Distribution Resilience Corps	-	(1,800,000)	-	-	(1,800,000)	-	-	(1,800,000)
	Small Business, Non-Profits, and Arts - San José Abierto	-	(1,228,000)	-	-	(1,228,000)	-	-	(1,228,000)
Finance Department	Ending Fund Balance	-	-	-	(3,858)	(3,858)	-	-	(3,858)
<b>Budget Adjustments Total</b>		<b>87,928,858</b>	<b>(87,925,000)</b>	-	<b>(3,858)</b>	-	-	-	-
<b>American Rescue Plan Fund (402) TOTAL</b>		<b>87,928,858</b>	-	-	<b>(3,858)</b>	-	-	-	-