

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Esparza  
Councilmember Arenas

**SUBJECT:** SEE BELOW

**DATE:** 10/29/2021

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Approved

Date: 10/29/2021

*Maya Esparza*

*Sylvia Arenas*

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**SUBJECT: COVID-19 PANDEMIC RESPONSE AND COMMUNITY AND ECONOMIC  
RECOVERY BUDGET ADJUSTMENTS**

## **RECOMMENDATION**

1. Direct the City Manager to enlist an outside, independent auditor, such as Harvey Rose, to conduct an audit of our dispersal and use of ARP Act funds to ensure transparency and fiscal accountability in the use of these funds, beginning with our Food Services program.
2. In conjunction with this work, return to Council with a detailed report on Food Services and related programs to date, including ongoing programs.

## **BACKGROUND**

At \$212.3 million, our American Rescue Plan Act funding allotment, designated as the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF), is the largest influx of federal dollars in our City's history. This funding was allotted as a designated emergency measure for local governments to continue responding rapidly to the unprecedented public health and economic crisis posed by COVID-19. Given the unprecedented scope of this funding, particular care is needed to ensure that the use of these funds complies, in both spirit and letter, with our Sunshine laws, our transparency policies, and with general public accountability.

Since the City was awarded the \$212.3 million this past Spring, our discussions at Council have been defined by a general lack of clarity and transparency around the use of the funds, with a deferral of the discussion around use of much of the funding until this upcoming council item, for which the staff recommendations to expend \$39.9 million were released in a memo on October 27, only six days ahead of the meeting. Furthermore, the initial allotment of \$133.9 million of the funds through our annual budget process did not anticipate the fourth quarter surge in revenue that resulted in \$369.2 Million in our General Fund balance, some \$48 million higher than the \$321.2 million projected in our adopted budget.

Common sense principles of transparency and accountability dictate that we need to shine a light on this process. This is particularly true in light of the whistleblower concerns that were recently raised over the award of certain food distribution contracts. Given these concerns, we believe the food distribution program would be an appropriate starting point for this audit work, and ask that a detailed report on this program be brought back to Council for review. We need to ensure that we are being as transparent as possible to build the public's confidence that these funds are going to our communities, as intended. The public health and economic impacts of Covid have fallen extremely unevenly across our city, and the needs of those communities hardest hit by this pandemic are still great. As such, accountability and transparency in our expenditure of these federal funds are vital to public trust.

We believe that the most effective way to ensure the necessary transparency, and avoid any potential conflicts or appearances of conflicts of interest, is to bring in an outside, independent auditor to track and review the dispersal and use of the ARP funds. Given their recognized role as a leader in public sector management auditing and fiscal analysis, Harvey M. Rose Associates would bring the decades of experience necessary to oversee this complex and extremely important process. For over forty years they have been among the most respected independent auditing firms in the state, specializing in budget audits and fiscal analysis, and bring the expertise with government funds needed for this undertaking. This will provide for the public's confidence in our use of this funding. Our public deserves to have the confidence that their tax dollars are being spent effectively and responsibly.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*