



**BOARD OF SUPERVISORS  
AGENDA LETTER**

**Agenda Number:**

**Clerk of the Board of Supervisors**  
105 E. Anapamu Street, Suite 407  
Santa Barbara, CA 93101  
(805) 568-2240

**Department Name:** County Executive Office  
**Department No.:** 012  
**For Agenda Of:** October 19, 2021  
**Placement:** Departmental  
**Estimated Tme:** 2 hours  
**Continued Item:** No  
**If Yes, date from:**  
**Vote Required:** Majority and 4/5th

**TO:** Board of Supervisors  
**FROM:** Department Directors  
Mona Miyasato, County Executive Officer  
Contact Info: Nancy Anderson, Assistant CEO

DocuSigned by:  
*Mona Miyasato*  
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**SUBJECT:** American Rescue Plan Act of 2021 Update and Eligible Funding Opportunities

**Recommended Actions:**

It is recommended that the Board of Supervisors:

- a) Receive a presentation on the American Rescue Plan Act (ARPA) funding update;
- b) Approve allocation of remaining ARPA Tranche 1 funds totaling \$5,906,480 towards eligible restricted categories and direct staff to process necessary budgetary adjustments;
- c) Consider optional allocation prioritization of a portion of ARPA Tranche 2 funds towards eligible restricted categories for Fiscal Year (FY) 2022-23;
- d) Provide other direction as appropriate; and
- e) Determine that the above actions are not a project under the California Environmental Quality Act (CEQA), because pursuant to sections 15378(b)(4) and 15378(b)(5) the recommended actions consist of organizational, administrative, or fiscal activities of government that will not result in direct or indirect physical changes in the environment.

**Summary**

The County of Santa Barbara is receiving \$43.3 million in FY 2021-22 as the first tranche of a total of \$86.6 million in American Rescue Plan Act funding to address COVID-19 related costs, economic impacts, lost revenues and water, sewer and broadband infrastructure needs. To-date, the Board of Supervisors has approved first tranche allocations totaling \$19.68 million with a remaining balance of

\$23.68 million to be considered. Approximately \$17.7 million of the remaining balance is for the County's lost revenue related to the pandemic to be spent on government services at the Board's discretion and will be incorporated into a budget discussion later this fiscal year.

The focus of today's discussion is on eligible opportunities for (a) the remaining restricted ARPA funds in Tranche 1 (\$5.9 million) and (b) a portion or the full amount in Tranche 2 that will be available for FY 2022-23. Staff is recommending the Board consider allocating approximately half of Tranche 2 (\$22 million) at this time and defer decisions on the remaining balance until April 2022. Staff has prioritized for your Board's consideration eligible uses for the remainder of Tranche 1 funds and approximately half of Tranche 2 funds for the most critical needs and priorities and to help departments plan accordingly for the use of the funds.

Eligible projects and programs identified to-date that have been reviewed by the Auditor-Controller and some that are still in review are provided in Attachment A – ARPA Eligible and In Review Project List. Staff has made recommendations for allocation of the remaining balance of Tranche 1 based on anticipated current year COVID costs and projects, such as, match funding towards homeless sheltering and studies intended to provide determination of further funding needs.

The remaining balance of Tranche 2 of \$21 million would be discussed at budget workshops with the final listing of eligible projects. Approved allocations made by the Board today and priorities discussed will be included in the County's ARPA Recovery Plan Performance Report as required by the US Treasury Department.

**Table 1 – ARPA Tranche Breakdown**

	Total ARPA Funds	Lost Revenue – Discretionary	Restricted Category
Tranche 1	\$43,363,598	\$26,574,618	\$16,788,980
Tranche 2	\$43,363,598	-0-	\$43,363,598
Totals	\$86,757,196	\$26,574,618	\$60,152,578

### **Background**

On June 1, 2021, the Board had its first discussion on ARPA funding, which focused on the first tranche of \$43.3 million in ARPA funds that are included in the FY 2021-22 Adopted Budget. Based on the interim guidance from the Treasury Department, the County Executive Office (CEO) recommended that the funds be divided into the following two categories: 1) Lost Revenue – Discretionary, and 2) Restricted. The Lost Revenue – Discretionary amount was estimated at \$18 million. The Auditor-Controller has now revised the amount at \$26,574,618 using the Treasury's prescribed methodology, leaving a remaining balance of Tranche 1 of \$16.79 million that would then fall under the Restricted category. The Restricted category includes response and recovery efforts directly related to the public health emergency and its effect on our communities, as well as water, sewer, and broadband infrastructure needs.

**Table 2 – Summary of Updated Tranche 1 Balances for FY 2021-22**

	Tranche 1 Total	Lost Revenue – Discretionary For Discussion in April	<b>Restricted Category For Discussion Today</b>
Beginning Balance	\$43,363,598	\$26,574,618	\$16,788,980
Allocated To-Date	(\$19,682,500)	(\$8,800,000)	(\$10,882,500)
<b>Remaining Balance</b>	\$23,681,098	\$17,744,618	<b>\$5,906,480</b>

To-date, the Board has approved the allocation of \$19,682,500 in ARPA funding. On June 1, the Board approved the allocation of \$9.5 million in Lost Revenue – Discretionary towards one-time maintenance and critical capital improvement projects and \$8.7 million in Restricted category projects for mental health services, a recovery resource hub and acquisition of a homeless facility in Isla Vista. Since June 1, frequently asked questions (FAQs) issued by the Treasury clarified eligible expenses related to projects addressing ventilation systems at County facilities. Two projects approved by the Board on June 1 (shown in Table 3 as *Converted*) are now deemed eligible for restricted use and have been reclassified to the Restricted category. The Board further approved an allocation towards year 1 of a homeless encampment strategy totaling \$1.48 million on August 31, 2021.

**Table 3 – Project/Program Allocations Through August 31, 2021**

<b>Board Date</b>	<b>Category</b>	<b>Project or Program</b>	<b>Amount</b>
June 1	Discretionary	Road Maintenance	\$ 4,000,000
June 1	Discretionary	CIP Tier 1 - Boiler System Replacement, SB Courthouse	2,000,000
June 1	Discretionary	CIP Tier 1 - Central Elevator Replacement, SB Main Jail	500,000
June 1	Discretionary	CIP Tier 1 - Roof & Window Replacement, SB Engr Bldg	400,000
June 1	Discretionary	CIP Tier 1 - Tucker's Grove Park, San Antonio Creek Bridge	1,350,000
June 1	Discretionary	CIP Tier 2 - Orcutt Park Lighting Project	550,000
		Total Lost Revenue -Discretionary Allocated	\$ 8,800,000
June 1	Restricted	Bwell Services and Assessment - \$500k over 3 years	\$ 1,500,000
June 1	Restricted	Recovery Resource "Hub"	200,000
June 1	Restricted	Acquisition of Homeless Facility in IV	7,000,000
June 1	<i>Converted</i>	HVAC Replacement, 4444 Calle Real	300,000
June 1	<i>Converted</i>	HVAC Replacement, SM Juvenile Hall	400,000
August 31	Restricted	Homeless Encampment Strategy Year 1	1,482,500
		Total Restricted Allocated	\$ 10,882,500
		<b>Total Tranche 1 ARPA Allocations Through 8/31/21</b>	<b>\$ 19,682,500</b>

The June 1, 2021 discussion concluded with the direction for staff to bring back further information on the topics of broadband, child care, workforce housing, and the Health and Human Services Recovery Plan. Additionally, upon the release of the Treasury Department's final guidance, the CEO, in conjunction with the Auditor-Controller's Office and the County's external auditors as required, would review the proposed uses of ARPA funding to ensure that they are consistent with the final guidance. The CEO planned to return to the Board in October with qualified programs and project recommendations for further discussion and consideration.

## **Discussion**

### ***ARPA Restricted Eligible Use Opportunities***

U.S. Treasury guidance allows some flexibility to use award funds in the ways that best suit the needs of the community, provided the use fits into one of the following five major statutory categories:

- 1) To respond to the COVID-19 public health emergency or its negative economic impacts or services to disproportionately impacted communities;
- 2) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to such eligible workers of the recipient, or by providing grants to eligible employers that have eligible workers who performed essential work;
- 3) For the provision of government services, to the extent of the reduction in revenue of such recipient due to the COVID-19 public health emergency, relative to revenues collected in the most recent full fiscal year of the recipient prior to the emergency;
- 4) To make necessary investments in water, sewer, or broadband infrastructure; and
- 5) For administrative expenses, evaluation and data analysis or transfer to other government units as necessary.

The focus of today's discussion is for the restricted programs and projects falling within the categories listed above subsequent to the public engagement discussions or workshops that have been held over the past month at Board meetings to provide more information on various topics related to restricted ARPA funding, including homelessness and encampment strategies, broadband initiatives, child care needs, work force housing study and a comprehensive health and human services recovery plan.

Should the Board approve the allocation of funding as recommended or with changes, staff will prepare and process the necessary budgetary adjustments in accordance with policy. The Auditor-Controller has indicated that projects within the General Fund will require a majority vote, while allocations that are transferred to other funds, such as for projects or reimbursement of direct COVID costs for Public Health, Behavior Wellness and Department of Social Services, require a four-fifths vote. The projects requiring a four-fifths vote are denoted with an \* on the Attachment A – ARPA Eligible and In Review Project List.

### ***Prioritizing Needs Under ARPA***

In addition to the categories of funding, staff had presented in the Health and Human Services Recovery Strategies certain guiding principles and desired outcomes, consistent with the intent of the ARPA funding. These, as augmented below, may provide a further framework for prioritizing requests:

- 1) **Provide support interventions to most affected:** Address the most significant primary and secondary impacts of COVID-19. Provide needed support to individuals so there is better access to high quality services and resources to support individuals and the broader population's recovery.
- 2) **Incorporate equity and inclusion in service delivery:** Integrate Whole Community practices to identify capacities and gaps in achieving equitable recovery and resiliency; focus on initiatives that make Santa Barbara County a place where all people can recover and thrive regardless of race, ethnicity, gender, age or economic circumstances
- 3) **Ensure capacity to deliver recovery services, continuity of critical County services and facilities, and sustainability of programs if continued beyond ARPA.** Build recovery team to drive recovery strategies and monitor trends. Harness advancements and capitalize on Renew 22 and what we have learned in COVID-19 to sustain and enhance a continuation of crucial County services and resources to our community. For services that may extend beyond 2023, identify other sources of funding if possible. If funding cannot be identified, assume the service will cease with the completion of ARPA funding or seek Board direction to prioritize above other needs.
- 4) **Develop innovative, rapid and inclusive recovery activities.** Seize opportunity to modernize County services, strategically deploying resources efficiently and responsively in accordance with organizational values.

ARPA funds are primarily intended to respond to the public health emergency and address critical community needs as a result of the pandemic with a focus on equity for disproportionately underserved populations, such as those in qualified census tracts (QCT). Eligible projects have been reviewed with this concept in mind. A comprehensive list of proposed eligible projects and programs that have been reviewed to-date and some that are still in review are listed on Attachment A – ARPA Eligible and In Review Project List. The list of qualifying needs totals \$144 million, which far exceeds the \$5.9 million remaining in Tranche 1 and \$43.3 million in Tranche 2 that is available.

Table 4, on the next page, summarizes the amount of restricted funding requests by category and tranche. It assumes the full allocation of Tranche 1 based on the Board's approved allocations to-date and the proposed recommended allocations presented today. As shown on Table 4, Tranche 1 allocates the most funding toward disproportionately impacted communities at 62% and public health direct response at 26%. The remaining projects by category totaling \$127.9 million are shown in Tranche 2. The amounts of eligible projects may change as additional funding requests are received, reviewed, and approved by the CEO and Auditor.

**Table 4 – Eligible Projects Summary for Restricted Category**

	DIRECT COVID RESPONSE		Disproportionately Impacted Communities	Infrastructure: Water, Sewer and Broadband	Administration, Compliance & Reporting	Total
	Public Health	Negative Economic Impacts				
Tranche 1 Allocated	\$ 2,200,000	\$ 200,000	\$ 8,482,500			\$ 10,882,500
Tranche 1 Proposed	\$ 2,146,480	\$ 150,000	\$ 1,910,000	\$ 1,200,000	\$ 500,000	\$ 5,906,480
<b>Total Restricted Tranche 1</b>	<b>\$ 4,346,480</b>	<b>\$ 350,000</b>	<b>\$ 10,392,500</b>	<b>\$ 1,200,000</b>	<b>\$ 500,000</b>	<b>\$ 16,788,980</b>
% of Allocation to Total	26%	2%	62%	7%	3%	100%
<b>Eligible Projects</b>						
Remaining for Tranche 2	\$ 10,490,000	\$ 18,730,000	\$ 31,699,056	\$ 65,629,000	\$ 1,350,000	\$ 127,898,056
<b>Total Restricted Projects</b>	<b>\$ 14,836,480</b>	<b>\$ 19,080,000</b>	<b>\$ 42,091,556</b>	<b>\$ 66,829,000</b>	<b>\$ 1,850,000</b>	<b>\$ 144,687,036</b>

***Tranche 1 Proposed Final Allocation***

As there are limited restricted funds of \$5.9 million remaining for Tranche 1, staff has identified specific projects as priorities for the current fiscal year. The recommendation shown on Table 5 includes the following:

- 1) Direct COVID-19 response costs that are continuing to be incurred through testing and vaccination activity and personal protective equipment (PPE) needed at County facilities, including the jail (\$1,596,480).
- 2) Administrative costs related to compliance and reporting of ARPA funds will be necessary to meet federal spending regulations and auditing standards (\$500,000).
- 3) Data, research, or analysis needed prior to further consideration of funding, such as, the comprehensive economic development strategy (CEDDS) (\$150,000) and the countywide broadband strategy study (\$200,000). Both studies are needed in order to determine gaps in service and additional funding alternatives should the Board want to allocate Tranche 2 funding towards larger projects.
- 4) The Health and Human Services Recovery Plan includes comprehensive services to underserved populations. Some of these requests include ongoing expenses that may require alternative resources at the end of the three-year period to continue. Staff has identified the highest priority needs for the current fiscal year as follows:
  - Housing and Homelessness: Bridge House sanitation to support pallet structures (\$1.2 million)
  - Community Health & Wellbeing: CalAIM and Readiness Technology Plan \$400,000 and HHS Inclusion Coordinator \$100,000 (*ongoing expense*). (\$500,000)
  - Organization and Technology: Digital Inclusion Strategy \$100,000 and dashboard development \$110,000. (\$210,000)

- Disaster Resilience: Incident Management Software \$450,000 and enhanced Public Information Officer outreach services to underserved populations \$100,000 (*ongoing expense*). (\$550,000)
- 5) Public Works has prioritized a clean water project to replace a leaking underground storage tank and associated components (\$1,000,000).

**Table 5 – Recommended Final Restricted Tranche 1 Allocation**

Category	Description	One-time	Ongoing	Source beyond 2023
1) Public Health	Direct COVID-19 Response Costs*	\$1,596,480		
2) Administrative	Administration, Compliance, and Reporting	\$500,000		
3) Negative Economic Effects	Comprehensive Economic Development Strategy (CEDS)	\$150,000		
Infrastructure - Broadband	Broadband Strategy Study	\$200,000		
4) Services to Disproportionately Impacted Communities	HHS Plan: Homelessness/Bridge House	\$1,200,000		State Grant
	HHS Plan: Community Health & Wellbeing*	\$400,000		
	HHS Plan: Organization and Technology*	\$210,000	\$100,000	
	HHS Plan: Disaster Resilience	\$450,000	\$100,000	
5) Infrastructure - Water	PW 1: Project Clean Water Oil/Water Separator System	\$1,000,000		General Fund
<b>Subtotals</b>		<b>\$5,706,480</b>	<b>\$200,000</b>	
<b>Total Tranche 1 Recommended Final Allocation</b>			<b>\$5,906,480</b>	

\* Indicates 4/5<sup>th</sup> vote required

### ***Tranche 2 – Optional First Half Allocation***

Tranche 2 will be received and budgeted in FY 2022-23. The full balance of \$43.3 million falls within the restricted category. Since many qualifying projects have been identified and departments are awaiting direction on funding prioritization, staff has prioritized the most critical needs for discussion and consideration for approximately half of Tranche 2. The first two categories in Table 6 (Proposed Allocation) on the next page are recommended to cover estimated costs related to direct response and administration for the last two years of the funding period. The other projects listed are suggestions based on department prioritization and impact to the community.

The Attachment A - Eligible and In Review Projects list has the staff prioritized projects shown under Tranche 2A and all remaining projects under Tranche 2B. The proposed Tranche 2A list is a starting point for discussion and changes, such as substitution of projects from the Tranche 2B list, will be made at the Board's direction. Projects for Community Services Department (CSD) and Public Works (PW) are preceded by a numbered priority ranking determined by the department. Attachment B provides the ARPA Project Detail on most of the projects, including the HHS Plan, CSD and PW projects in priority order for each group.

If the Board decides to allocate approximately half of Tranche 2 today, the remaining balance will be discussed in April for the final distribution. Projects shown as In Review on the Tranche 2B list have not yet been determined an eligible ARPA use. These projects will have a determination by the April discussion. Additionally, the Board may provide requests for staff and Auditor-Controller to review new items that may not be currently listed for consideration in April.

**Table 6 – Optional Proposed Allocation Tranche 2A**

Category	Description	One-time	Ongoing	Source beyond 2023
<b>Priority:</b>				
1) Public Health	Direct COVID-19 Response Costs*	\$6,000,000	\$ -	
2) Administrative	Administration, Compliance, and Reporting	\$1,350,000		
	<b>Total Priority</b>	<b>\$7,350,000</b>	<b>\$ -</b>	
<b>Suggested for consideration:</b>				
Public Health	Ventilation - EOC & Admin HVACs (General Fund Reimbursement FY 21-22)	\$ 955,000	\$ -	
Infrastructure - Water	PW 4: Project Clean Water Stormwater Trash Controls	530,000		
Public Health	HHS Plan: Behavioral Health Infrastructure Casa Omega Site (future year billing Medi-Cal and SSI)	700,000		
Services to Disproportionately Impacted Communities	HHS Plan: Community Health & Wellbeing HHS Coordinator, engagement and promotoras* Year 2 Whole Person Care system navigators (future year billing CalAIM)*	400,000	200,000	State/federal grants or General Fund
Services to Disproportionately Impacted Communities	HHS Plan: Housing and Homelessness Services for 100 beds (2 years) Potential Homekey match Homeless Encampment Strategy 2 Years MDT Team Services (1 Year) Outreach teams (1 Year)	3,000,000	4,935,160 1,290,000 2,500,000 850,000	State/federal grants or General Fund
Services to Disproportionately Impacted Communities	HHS Plan: Disaster Resilience PIO outreach services (2 years)		200,000	General Fund
	<b>Total Suggested for Consideration</b>	<b>\$5,585,000</b>	<b>\$ 9,975,160</b>	
<b>Total Tranche 2A Proposed Allocation</b>			<b>\$22,910,160</b>	

\*Indicates 4/5<sup>th</sup> vote required



**Homeless Services**

The HHS Plan includes several requests for homeless funding shown in Table 6. Ongoing costs are a large part of this request. Of the items requested, the County has already committed to implementing several actions, and as such, these items are shown as priority for funding for ARPA. Ongoing funding to continue this support is not yet guaranteed or fully identified, and staff will continue to explore new State and Federal funding opportunities. The total annual ongoing estimated cost per year for the projects underway and proposed is \$7 million.

**Table 7 – Homeless Housing/Shelter Projects**

<b>Project/Program</b>	<b>ARPA Funding Requests</b>	<b>Included in Tranche Request</b>	<b>Annual Ongoing beyond ARPA</b>	<b>Source of ongoing funding beyond ARPA</b>
<b>Projects Underway (Previously committed)</b>				
Bridge House Pallet Shelters (outside Lompoc)	\$1,200,000 capital \$438,000 services	Tranche 1 and 2A	\$219,000	State/federal grants or General Fund
Dignity Works (Garden Street, Santa Barbara) *3-year project onsite	\$400,000 capital \$2,038,760 services	Tranche 1 (8/31) and 2A	\$1,019,380	State/federal grants or General Fund
Isla Vista Homeless Housing	\$7,000,000 capital \$2,458,400 services	Tranche 1 (6/1) and 2A	\$1,229,000	State/federal grants or General Fund
Encampment Coordination and Resolution Strategy *3-year targeted pilot	\$645,000 \$1,290,000 2A	Tranche 1 (8/31) and 2A	\$645,000*	State/federal grants or General Fund
<b>Continuation of Existing Services</b>				
Multi-Disciplinary Teams: Year 2 and Beyond	\$5,006,896	Tranche 2A and 2B	\$2,500,000	State/federal grants or General Fund
Outreach Teams: Year 2 and Beyond	\$437,500 \$1,750,000 2A and 2B	Tranche 1 (8/31), 2A and 2B	\$900,000	State/federal grants or General Fund
<b>New Opportunities yet to be Identified</b>				
Homekey Sites	\$3,000,000 capital \$1,000,000 services	Tranche 2A and 2B	\$500,000	State/federal grants or General Fund
215 Vouchers with services	N/A		N/A	State grant (\$4M over 3 years)
Emergency Housing Support	N/A		N/A	Possible State grants (one year)
<b>TOTAL</b>			<b>\$7,012,380</b>	

### ***New Reporting Guidance***

On June 24, 2021, the Treasury Department released Compliance and Reporting Guidance, a supplemental document to the Interim Final Rule guidance issued in May. Additionally, more FAQs were released that clarified spending options and the revenue replacement calculation.

Reporting deadlines were added and more detailed monitoring and performance tracking on expenses is now required. The County is required to submit the following:

- Interim Report – Due 60 days after drawdown: A one-time report with expenditures by category 60 days from the date of award of September 30, 2021. Obligations (budgeted) and expenditures must be entered in the Treasury’s online reporting module. This would include the Board’s approved allocations through July 31.
- Quarterly and Annual Project and Expenditure Reports – Due January 31, 2022: A quarterly report beginning with the award date through December 31.
- Recovery Plan Performance Report (Annual) – Due 60 days after drawdown: Counties with a population that exceeds 250,000 are required to submit and publish a Recovery Plan that must be posted on the public-facing website of the County. The initial Recovery Plan will cover the period from award date through July 31. The Recovery Plan is expected to change as the Board considers future allocations. The next updated Recovery Plan would be posted by July 31, 2022. The initial Recovery Plan with the qualifying allocations to-date and priorities identified by the Board will be posted on the County’s RecoverySBC.org website by November 29, 2021.

### **Fiscal Impacts:**

The purpose of this agenda item is to provide the Board with information related to the American Rescue Plan Act and to seek direction regarding the use of federal funds received under the Act. The recommendation to the Board for this item includes the allocation of \$5,906,480 of ARPA Tranche 1 funding in the FY 2021-22 budget. Direction received may also result in budget priorities for Tranche 2 that will be incorporated into the FY 2022-23 budget development.

### **Attachments:**

Attachment A – ARPA Eligible and In Review Project List

Attachment B – ARPA Project Detail

### **Authored By:**

Nancy Anderson, Assistant CEO

Nicole Parmelee, Fiscal and Policy Analyst