



**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: December 3, 2024
Placement: Administrative
Estimated Tme:
Continued Item: No
If Yes, date from: N/A
Vote Required: 4/5

TO: Board of Supervisors
FROM: Department Directors
Contact Info: Wade Horton, Assistant County Executive Officer
Paul Clementi, Budget Director

DocuSigned by:
Mona Miyasato
41846F5C725B460...

SUBJECT: American Rescue Plan Act of 2021 Coronavirus State and Local Fiscal Recovery Funds Update and Adjustments

County Counsel Concurrence

As to form: Yes

Other Concurrence:

As to form: Yes

Auditor-Controller Concurrence

As to form: Yes

Recommended Actions:

It is recommended that the Board of Supervisors:

- a) Approve funding adjustments to identified American Rescue Plan Act State and Local Fiscal Recovery Fund (ARPA) projects and direct staff to incorporate said adjustments into the FY 2024-25 Recommended Budget;
- b) Approve and authorize the Chair to execute a First Amendment to the Agreement for Services of Independent Contractor with Ernst & Young LLP to increase the not-to-exceed contract amount by \$250,000 from \$1,500,000 to \$1,750,000;
- c) Authorize the County Executive Officer, or designee, to make funding adjustments among existing ARPA projects to account for projects that are completed under budget;

- d) Approve and authorize the Chair to execute a First Amendment to the Agreement for Services with South Coast Funding Group LLC d/b/a QwikResponse to increase the not-to-exceed contract amount by \$250,000 from \$500,000 to \$750,000.
- e) Approve the following Budget Revision Requests to incorporate ARPA project funding adjustments from June 25, 2024 into the FY 2024-25 Recommended Budget:
 - i. Budget Revision Request # 0010212 to adjust project funding in the County Executive Office;
 - ii. Budget Revision Request # 0010229 to adjust project funding in the General Services Department;
 - iii. Budget Revision Request # 0010224 to adjust project funding in the Office of the Public Defender;
 - iv. Budget Revision Request # 0010220 to adjust project funding in the Office of the District Attorney;
 - v. Budget Revision Request # 0010226 to adjust project funding in the Sheriff's Office;
 - vi. Budget Revision Request # 0010228 to adjust project funding in the Community Services Department;
 - vii. Budget Revision Request # 0010225 to adjust project funding in the Fire Department;
 - viii. Budget Revision Request # 0010227 to adjust project funding in the Public Works; and
 - ix. Budget Revision Request # 0010230 to adjust project funding in the General County Programs Department
- f) Approve Budget Revision Request # 0010214 to establish appropriations to fund the CIP Goleta Beach Parking Lot repair with \$987,753 of ARPA funds, to reduce the appropriations of CIP General Fund for the Goleta Beach Parking Lot in that amount, to establish General Fund appropriations of \$250,000 for homeless encampment clean-up contract costs, and to establish an earmark of \$712,595 in General County Programs for homeless funding needs as directed by the Board at a future time, including operating costs for Hope Village and La Posada;
- g) Approve Budget Revision Request # 0010231 to establish appropriations for the Planning and Development Department to hire consultants for Housing Element Update implementation, in the amount of \$221,000 from Department 990 General Fund made available by the recommended ARPA funding adjustments;
- h) Approve Budget Revision Request # 0010207 to receive \$1,111,754 of ARPA funds in Department 990 COVID-19 General Assistance Fund from Public Works Flood Control and reduction of \$122,015

transfer of ARPA funds that was previously allocated to the Santa Maria River and Stormwater Trash Control projects; and

- i) 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

To ensure funds are properly obligated prior to the U.S. Department of Treasury (Treasury) December 31, 2024 obligation deadline, changes to the County's ARPA projects are needed. Detail of the individual project adjustments are included as Attachment A and discussed below. With these Board adjustments, the County's ARPA allocation will be fully obligated before the December 31st deadline and will have made available \$1,183,595 for other General Fund activities.

Discussion

This agenda item recommends adjustments to funding sources for projects so as to comply with the Treasury December 31, 2024 'obligation' rule deadline.

Downward Adjustments

The majority of the recommended adjustments are driven by the Santa Maria River Realignment (SMRR) project. ARPA funds were allocated toward SMRR on September 12, 2023 to address a critical public safety emergency that resulted from two 2023 Presidential Disaster Declarations in Santa Barbara County; at the time it was deemed unlikely to be reimbursed by the Federal Emergency Management Agency (FEMA). Since that time, CEO and Public Works staff have worked closely with FEMA and are poised to receive reimbursement for the debris removal aspects of that project. As such, costs for SMRR debris removal in the amount of \$1,111,754 need to be removed from the County's ARPA allocation to avoid double-claiming of costs. Environmental mitigation work for SMRR required by the California Department of Fish and Wildlife will continue to be funded by \$1,029,536.30 in ARPA.

The second driver of the recommended adjustments is to account for existing ARPA projects that were completed under budget or are no longer feasible to complete, totaling \$614,761:

- Department of Behavioral Wellness community-based organizations scope of work completed under budget for the Mental Health Services and Assessment project (\$69,207);
- The Calle Real Outpatient Mental Health Clinic HVAC upgrade, which was cancelled due to significant project cost escalation (\$252,914);
- Project Clean Water Stormwater Trash Controls project contingency line item that could not meet obligation deadline (\$122,015). Remaining \$1,084,695 of ARPA funds will complete the project; and
- Reduction to the KPMG departmental reports ARPA project (\$170,625) based on the timing of the Fire Department's report to ensure that all claimed costs were for work performed after the March 2021 ARPA eligibility period.

Upward Adjustments

The above-mentioned reductions to existing ARPA projects are recommended to be replaced with the CIP Goleta Beach Parking Lot (\$996,388) and several increases to existing ARPA projects. Those projects include a contract amendment to the existing Ernst & Young agreement, increasing the not to exceed dollar amount by \$250,000. To be conservative in the County's U.S. Treasury reporting for purposes of the obligation deadline, only \$200,000 of the increased contract amount will be reported as an ARPA obligation. The remaining \$50,000 of the recommended contract amendment would be paid with General Fund dollars previously made available by ARPA, in anticipation that there will be post-grant ARPA close-out or reporting activities for which the County will require the services of Ernst & Young beyond the December 31, 2026 expenditure deadline for ARPA funds.

Additionally, the Sheriff's Office Co-Response team, Human Resources, and Public Defender's Office had temporarily ARPA-funded staff positions, for which the ARPA-eligible actual staffing costs at the end of last fiscal year and the beginning of this fiscal year exceeded the ARPA allocation estimates developed in 2021.

General Fund Uses Made Available by Recommended ARPA Adjustments

The recommended adjustments make available \$1,183,595 for other General Fund activities, as the General Fund is saved from paying the Goleta Beach Parking Lot (\$987,753), Public Safety Salaries and Benefits (\$68,706), FY 2023-24 additional expenditures (\$163,514), and FY 2024-25 Q1 expenditures (\$134,248) that are recommended to be paid with ARPA. The General Fund is recommended to pick up the cost of the KPMG Fire Department Report (reducing the ARPA funded KPMG department report project approved June 25, 2024 by \$170,625) to ensure that all claimed costs are for work performed after the March 2021 ARPA eligibility period; netting to a General Fund savings of \$1,183,595. Recommended General Fund uses are:

1. Planning and Development Department Division of Long-Range Planning Housing Element Implementation consultant costs (\$221,000),
2. Community Services Department Division of Housing and Community Development additional funding for the homeless encampment cleanup contract with QwikResponse (\$250,000), and
3. The remaining \$712,595 to be earmarked in General County Programs for homeless programs as directed by the Board at a future time, including operating costs for Hope Village and La Posada.

Recommended Actions (f) and (g) approve two budget revisions that allocate these General Fund dollars. Additionally, a contract amendment to the existing contract with QwikResponse for homeless encampment cleanup is included for approval.

Background

The County of Santa Barbara was allocated \$86,727,196 in American Rescue Plan Act funding to address COVID-19 related costs, economic impacts, lost revenues and water, sewer and broadband infrastructure needs. The Board considered the allocation of these funds through public meetings held June 1, 2021, October 19, 2021 and April 14, 2022.

The ARPA funds are divided into two categories: 1) Discretionary - Revenue Replacement, and 2) Restricted. The Discretionary (lost revenue) amount was calculated by the Auditor-Controller at \$26,574,618 using the Treasury's prescribed methodology; funds in this most flexible eligibility category can be used broadly toward nearly all types of government services. The Restricted category includes the

remaining \$60,152,578, for which only specific types of activities are eligible uses; this funding was allocated toward 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.

Eligible ARPA costs under these eligibility categories can date back to March 3, 2021. Funds must be fully obligated by December 31, 2024 and fully expended by December 31, 2026.

In November 2023, Treasury released the Obligation Interim Final Rule, which more clearly defined the term “obligation” and resulted in the County determining that changes to ARPA projects were needed in order to properly comply with the obligation deadline, which [your Board approved on June 25, 2024](#). Your Board’s June 25th action also directed staff to return to the Board with the necessary budgetary adjustments in Fiscal Year 2024-25 to incorporate the approved ARPA adjustments into the current year budget. Recommended Action (e) of this Board Letter is to approve those budget revisions effectuating the changes previously approved on June 25, 2024. These nine budget revisions are included as Attachment I. In summary, the June 25, 2024 adjustments utilized \$12 million of previously incurred General Fund costs as eligible ARPA expenses.

Compliance and Reporting

Staff continue to adhere to ARPA reporting requirements, including the following:

- Project and Expenditure Reports (Quarterly) – Recipients must report obligations and expenditures by project, as well as supplementary project-specific information. Reporting is required beginning with the award date through December 31, 2026.
- Recovery Plan Performance Report (Annual) – Counties with a population that exceeds 250,000 are required to submit and publish a Recovery Plan that must be posted on the County’s public-facing website. The County’s current Recovery Plan updated through June 2023 is available for review on the County of Santa Barbara ARPA Funding webpage.

Fiscal Impacts:

The purpose of this agenda item is to approve offsetting funding adjustments to ARPA projects. While this Board item includes recommended adjustments, both increases and decreases, on various individual projects, there is no net fiscal impact as the total ARPA allocation remains \$86.7 million. Attachment A shows all of the individual ARPA project adjustments, with the adjustments making available the \$1,183,595 of General Fund highlighted in yellow. If approved, staff will incorporate the recommended adjustments into the FY 2024-25 Recommended Budget.

Attachments:

- A. ARPA Funding Adjustments
- B. EY First Amendment
- C. EY Original Agreement
- D. QwikResponse First Amendment
- E. QwikResponse Original Agreement
- F. BJE # 0010207 - PW
- G. BJE # 0010231 – P&D
- H. BJE # 0010214 – CSD
- I. June 2024 ARPA Adjustments BJE

Authored By:

Ted Teyber, Principal Analyst
Nicole Parmelee, Principal Analyst