



Legislation Details (With Text)

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Title: Actions related to the reallocation of the American Rescue Plan Act appropriations in order to improve compliance reporting requirements.

1. ***RESOLUTION - Adopt the 28th and 30th Amendment to the Annual Appropriation Resolution (AAR) No 2022-154 reallocating \$67,253,800 in appropriations related to the Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act (ARPA) from the General Fund to the ARPA Fund in order to improve compliance reporting requirements (Requires 5 affirmative votes) (Subject to Mayor's Veto)
2. ***RESOLUTION - Approve the Non-AAR reallocation of \$57,013,000 in appropriations in the American Rescue Plan Act Fund from the Finance Department to various Departments in order to improve compliance reporting requirements (Requires 5 affirmative votes) (Subject to Mayor's Veto)

Sponsors: Office of Mayor & City Manager, Finance Department

Indexes:

Code sections:

Attachments: 1. 28th Amendment to the Annual Appropriation Resolution, 2. 30th Amendment to the Annual Appropriation Resolution, 3. NonAAR ARPA FINANCE to Citywide, 4. ID 23-536 (3-D) Supplemental Packet

Date	Ver.	Action By	Action	Result
3/30/2023	1	City Council	ADOPTED	Pass

REPORT TO THE CITY COUNCIL

FROM: SANTINO DANISI, MBA, Finance Director/City Controller

BY: ALMA G. TORRES, Deputy City Manager
Office of Mayor & City Manager

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Finance Department, Grants Management Unit

SUBJECT

Actions related to the reallocation of the American Rescue Plan Act appropriations in order to improve compliance reporting requirements.

1. ***RESOLUTION - Adopt the 28th and 30th Amendment to the Annual Appropriation Resolution (AAR) No 2022-154 reallocating \$67,253,800 in appropriations related to the Coronavirus State and Local Fiscal Recovery Funds established under the American Rescue Plan Act (ARPA) from the General Fund to the ARPA Fund in order to improve compliance reporting requirements (Requires 5 affirmative votes) (Subject to Mayor's Veto)
2. ***RESOLUTION - Approve the Non-AAR reallocation of \$57,013,000 in appropriations in the American Rescue Plan Act Fund from the Finance Department to various Departments in

order to improve compliance reporting requirements (Requires 5 affirmative votes) (Subject to Mayor's Veto)

RECOMMENDATION

The Administration recommends the Fresno City Council approve the 28th and 30th Amendment to the Annual Appropriations Resolution (AAR) No 2022-154 to reallocate American Rescue Plan Act appropriations in the General Fund for ARPA related project to the ARPA Fund, and the Non-AAR intended to reallocate appropriation in the ARPA fund established in the Finance Department to various departments. These actions are in response to finding 2022-002 Internal Controls Over Preparation of Schedule of Expenditures of Federal Awards.

EXECUTIVE SUMMARY

The City of Fresno was a recipient of \$170,808,029 from the American Rescue Plan Act (ARPA), a \$1.9 trillion emergency relief measure authorized by Congress and signed into law by the President in March of 2021, to address the adverse impacts of COVID-19 on public health and the national economy. In FY 2022 Council approved the allocation of \$106,185,200 for various projects, and the remaining \$64,622,829 was approved in the FY 2023 Budget. During the preparation of the SEFA (Schedule of Expenditures of Federal Awards), staff and the audit firm identified areas that would improve reporting compliance. Approval of the Amendments to the Annual Administrative Resolution and Non-AAR included for Council approval would ensure reporting compliance and increased transparency prospectively.

BACKGROUND

The City of Fresno was a recipient of \$170,808,029 from the American Rescue Plan Act (ARPA), a \$1.9 trillion emergency relief measure authorized by Congress and signed into law by the President in March of 2021, to address the adverse impacts of COVID-19 on public health and the national economy. The process for receiving and accounting for these funds was directed by the previous Controller to be structured similar to the process utilized during the disbursement of Coronavirus Aid, Relief, and Economic Security Act (CARES) funds, in which a unique Special Revenue fund received the federal revenue while the corresponding appropriations were established and/or expended in the General Fund. As eligible expenses occurred in the General Fund for CARES related projects, a transfer of revenues was submitted by the respective Department to the Finance Department and after auditing for compliance, Finance staff prepared reimbursements from the CARES fund to fund to the General Fund. In FY 2022 a total of \$106,185,200 of the total award was approved by Council for allocation through the 14th, 16th, 30th, 51st, 52nd, and 55th amendments to the FY 2022 Annual Appropriations Resolution.

In the FY 2023 Budget, Council approved the remaining balance of the ARPA allocations totaling \$64,622,829 of this amount \$61,226,629 was appropriated in the ARPA Fund in the Finance Department for projects associated with other Departments. The budgeting of these remaining funds in the ARPA fund was intended to minimize the changes to the FY 2023 Proposed Budget which was nearing publishing when the Administration was made aware by the previous Controller of the recently completed calculations for revenue replacement dollars and advised that the entire ARPA allocation could be budgeted prior to receipt of the second tranche of funds. Budgeting of the appropriations in the Finance Department was also intended to ensure that staff in the Finance

Department ensured compliance with the ARPA reporting requirements.

During the preparation of the FY 2022 Financial Reports, specifically the SEFA, finding 2022-002 describes that the City did not properly include federal expenditure for the State and Local Fiscal Recovery Funds totaling \$14,391,754 in the schedule. As a result of this finding, Staff will implement additional processes and procedures for tracking federal expenditure to ensure compliance with Uniform Guidance. This will include working with all City Departments to ensure these charges are recognized in the appropriate general ledger account.

The recommended approval of the actions before Council would allow these changes to take place in the current fiscal year and ensure reporting compliance this fiscal year and prospectively. Through Council's approval of the 28th Amendment to the Annual Appropriations Resolution, appropriations in the ARPA fund will be increased by \$67,253,800, equal to the appropriations in the General Fund for ARPA related projects. The Finance Division will proceed to reclassify actual expenditures that have occurred in FY 2022 in the General Fund for ARPA related projects out of the General Fund and into the ARPA Fund. Subsequently to this reclassification, the 30th Amendment to the Annual Appropriations Resolution would reduce the appropriations in the General Fund for ARPA related projects by \$67,253,800.

In addition to the previously discussed process, the approval of the Non-AAR would allow the reallocation of ARPA appropriations established in the Finance Department under the ARPA fund to be reallocated to the respective Departments responsible for the projects. This change will also enable departments to more effectively manage the allocated funds for their projects in the new Financial System.

In addition to improving reporting compliance, budgeting in the ARPA fund as opposed to the General Fund is expected to reduce fluctuations in the General Fund appropriations since as projects progress, respective appropriation balances would be reduced accordingly until the completion of the project or the expiration of the funding in December 31, 2026.

For FY2024 and future fiscal years, each Department will include their respective project balances in the ARPA fund in their respective budgets and no ARPA related appropriations will remain in the General Fund.

ENVIRONMENTAL FINDINGS

N/A

LOCAL PREFERENCE

Local Preference is not applicable as this is solely a reallocation of appropriations.

FISCAL IMPACT

No Fiscal impact will be generated through the reallocations of these appropriations, Approval of the 28th Amendment to the Annual Appropriation Resolution (AAR) No 2022-154 will **increase American Rescue Plan Act Fund** Appropriations by \$67,253,800.

Approval of the 30th Amendment to the Annual Appropriation Resolution (AAR) No 2022-154 will

decrease General Fund appropriations by \$67,253,800.

The Non-AAR will only reallocate appropriations between Departments in the American Rescue Plan Act Fund.

Attachments:

28th Amendment to the Annual Appropriation Resolution

30th Amendment to the Annual Appropriation Resolution

Non-AAR

Table