



Agenda City Council Policy Session

Tuesday, September 21, 2021

2:30 PM

phoenix.gov

OPTIONS TO ACCESS THIS MEETING

Request to speak at a meeting:

- **Register online** by visiting the City Council Meetings page on phoenix.gov **at least 1 hour prior to the start of this meeting**. Then, click on this link at the time of the meeting and join the Webex to speak:
<https://phoenixcitycouncil.webex.com/phoenixcitycouncil/onstage/g.php?MTID=e3821b46caa7c80138c574b39810faccd>

- **Register via telephone** at 602-262-6001 **at least 1 hour prior to the start of this meeting**, noting the item number. Then, use the Call-in phone number and Meeting ID listed below at the time of the meeting to call-in and speak.

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Para nuestros residentes de habla hispana:

- **Para registrarse para hablar en español**, llame al 602-262-6001 **al menos 1 hora antes del inicio de esta reunión** e indique el número del tema. El día de la reunión, llame al 602-666-0783 e ingrese el número de identificación de la reunión 2557 633 8755#. El intérprete le indicará cuando sea su turno de hablar.

- **Para solamente escuchar la reunión en español**, llame a este mismo número el día de la reunión (602-666-0783; ingrese el número de identificación de la reunión 2557 633 8755#). Se proporciona interpretación simultánea para nuestros residentes durante todas las reuniones.

CALL TO ORDER**COUNCIL INFORMATION AND FOLLOW-UP REQUESTS**

This item is scheduled to give City Council members an opportunity to publicly request information or follow up on issues of interest to the community. If the information is available, staff will immediately provide it to the City Council member. No decisions will be made or action taken.

CONSENT ACTION

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There was no Consent Agenda for this meeting.

CALL FOR AN EXECUTIVE SESSION

A vote may be held to call an Executive Session for a future date.

REPORTS AND BUDGET UPDATES BY THE CITY MANAGER

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

DISCUSSION AND POSSIBLE ACTION (ITEMS 1-2)

1 **2020-21 Year-End General Fund Budget Results and
2022-23 Budget Calendar**

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This report provides an overview of the 2020-21 General Fund (GF) budget results. Overall, resources exceeded estimates by \$27.9 million representing a variance of 1.8 percent and expenditures ended the fiscal year \$4.9 million under the estimate representing a variance of only 0.4 percent. As a result, the GF ending balance of \$275.6 million was approximately \$32.8 million higher than estimated. This report also requests adoption of the 2022-23 budget calendar.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Responsible Department

This item is submitted by City Manager Ed Zuercher, Assistant City Manager Jeffrey Barton, and the Budget and Research Department.

2 American Rescue Plan Act Strategic Plan Update

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On June 8, 2021 City Council approved the proposed \$196 million American Rescue Plan Act (ARPA) Strategic Plan. This report provides City Council with an update on the ARPA Strategic Plan and includes additional information about several programs that City Council wanted to discuss in more detail.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**Responsible Department**

This item is submitted by Assistant City Manager Jeffrey Barton.

ADJOURN

For further information or for reasonable accommodations, please call the Management Intern, City Manager's Office, at 602-262-4449 or Relay 7-1-1 as early as possible to coordinate needed arrangements.

Si necesita traducción en español, por favor llame a la oficina del gerente de la Ciudad de Phoenix, 602-262-4449 tres días antes de la fecha de la junta.



2020-21 Year-End General Fund Budget Results and 2022-23 Budget Calendar

This report provides an overview of the 2020-21 General Fund (GF) budget results. Overall, resources exceeded estimates by \$27.9 million representing a variance of 1.8 percent and expenditures ended the fiscal year \$4.9 million under the estimate representing a variance of only 0.4 percent. As a result, the GF ending balance of \$275.6 million was approximately \$32.8 million higher than estimated. This report also requests adoption of the 2022-23 budget calendar.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

The GF ending balance of \$275.6 million exceeded the estimate of \$242.8 million by \$32.8 million and provides a strong fiscal starting point for the current year. It is important to note, the fund balance includes a combined \$121 million in one-time funds from the Coronavirus Relief Fund (CRF) approved by City Council to offset public safety salaries as permitted by the Federal guidelines. The ending balance carries forward to the current fiscal year and will be used as planned to pay for the supplemental expenditures approved in the 2021-22 adopted budget. The additional resources of \$32.8 million will be factored into the development of the 2022-23 GF Budget Status.

Two components make up the GF ending balance: resources and expenditures. GF 2020-21 actual resources were \$1,613.5 million and exceeded the estimate of \$1,585.6 million by \$27.9 million, or a variance of 1.8 percent. Higher than anticipated revenue collections contributed to the GF ending balance. GF revenues were \$1,488.1 million, representing a variance to the revised revenue estimate of \$56.0 million or 3.9 percent. The increased revenue collections were partially offset by increased transfers, primarily to City trust funds including the Worker's Compensation Trust and the Self-Insurance Reserve Trust. These trust funds are statutorily and actuarially required to be adequately funded and additional resources are needed due to increases in the cost of insurance, claim activity, and required reserve amounts. It is anticipated increased funding requirements for these trust accounts will continue next fiscal year. GF expenditures ended the fiscal year at \$1,337.9 million, and \$4.9 million less than the revised estimate of \$1,342.8 million, representing a variance of 0.4 percent. City

departments have worked through many challenges since the COVID-19 pandemic began in the third quarter of 2019-20. Since that time expenditures have been below estimates, demonstrating staff's commitment to responsible spending while concurrently providing exceptional service delivery to residents. The GF expenditure variance of \$4.9 million is primarily due to vacancy savings and lower than estimated capital pay-as-you-go expenditures. **Attachment A** provides graphical illustrations of the GF budget results and **Attachment B** provides a department by department comparison of GF expenditure actuals to the revised estimate.

Over the coming months staff will develop revised resource and expenditure forecasts to prepare a 2022-23 GF Budget Status and Five-Year Forecast scheduled to be presented to the City Council on Feb. 22, 2022.

2020-21 General Fund Results

Resources

Total resources include:

- Beginning fund balance;
- Annual revenue;
- Recoveries of prior year encumbrances that were not spent; and
- Interfund transfers to/from other City funds.

As mentioned above, GF resources were \$1,613.5 million for the 2020-21 fiscal year and include a beginning balance of \$169.1 million, revenues of \$1,488.1 million, recoveries of \$2.5 million, and net transfers out of \$46.2 million. Total GF resources exceeded estimates by \$27.9 million representing a variance of only 1.8 percent. The reason for the variance was higher than anticipated revenue collections primarily in city and state sales taxes, offset by lower than anticipated net transfers.

Revenue forecasting throughout the COVID-19 pandemic has been extremely challenging. Several factors have influenced revenue collections and are uncharacteristic compared to past economic cycles. Primarily, the infusion of one-time funds from the federal government via the Coronavirus Aid, Relief, and Economic Security (CARES) and the American Rescue Plan (ARPA) acts into state and local economies. According to the State Joint Legislative Budget Committee (JLBC), \$60 billion has been provided to Arizona via direct federal COVID-19 aid. This is remarkable, unprecedented and has certainly influenced City revenue collections. However, this funding is temporary and contributes to the difficulty in predicting revenue growth. Budget and Research staff worked diligently over the past 18 months

since the pandemic started, to analyze revenue data and economic indicators, utilize our econometric model developed in partnership with the University of Arizona's Economic and Business Research Center for sales taxes, and listen to our trusted economic sources to project revenues. Forecasting was also challenging due to the first ever economic shutdown in the fourth quarter of 2019-20 and increased inflation in recent months. Fortunately, Phoenix has a strong and diversified economy. We are no longer reliant on one sector of the economy to provide growth in revenues. This diversification has resulted in economic resiliency as evidenced by growth in overall resources for the fiscal year.

Additionally, the overall GF revenue variance of 3.9 percent is less than the variances of six surrounding cities and is in line with the variance of the JLBC. For example, the 2020-21 GF revenue variance of six surrounding cities were all higher than Phoenix's revenue variance of 3.9 percent, ranging from 5.9 percent (Scottsdale) to 11.7 percent (Glendale). And, as reported by the JLBC in the July 2021 Fiscal Highlights report the 2020-21 State GF variance was 3.6 percent. This further demonstrates the difficulty experienced by several government agencies in estimating local and state revenues during the pandemic.

Expenditures

Total GF expenditures were estimated at \$1,342.8 million, and actual expenditures were \$1,337.9 million, or \$4.9 million (0.4 percent) less than estimated. The variance is due to savings in department operating expenditures of \$2.6 million (**Attachment B**) and GF capital pay-as-you-go savings of approximately \$2.3 million. Savings in operating expenditures were primarily the result of City departments achieving more salary savings than expected. Staff built into the expenditure forecasts additional salary savings based on recent data trends, however the number of vacancies grew more than anticipated. The variance in capital pay-as-you-go expenditures was due to less than estimated expenses for facility maintenance projects.

Budget and Research staff are underway with the annual salary and benefits projection review process and will soon start on the technical expenditure review process, which is a tried and true method of working with all City departments to evaluate spending at the line item level. This deep dive into department budgets will enable us to identify savings and establish realistic estimates necessary to continue existing programs and services. The process runs through November and is followed by the central review process, which involves estimating costs for various commodities such as fuel and electricity and personnel services line items, particularly pension. These processes are critical steps in development of the GF Budget Status.

Looking Ahead

The 2020-21 GF ending fund balance variance of \$32.8 million is in "reserve" until the budget status for 2022-23 is developed over the next several months. The higher than anticipated ending fund balance is good news and will be beneficial as we move forward. However, the City faces many fiscal challenges in the years ahead which will require strategic decision making to optimize resources. These challenges include:

- Rising employee benefit costs, particularly for Public Safety pension;
- Additional resources to adequately fund City trust accounts;
- Ongoing need to offer competitive and fair compensation packages to City employees;
- Deferred maintenance and aging infrastructure such as vehicles, equipment, and City facilities;
- Increases in expenses for replacing and protecting City information technology assets;
- Demand for additional or expanded GF services;
- Ongoing operating expenses for 100 W. Washington St.;
- Potential budgetary impacts from the Department of Justice investigation of the Police Department;
- Challenges estimating revenue collections in the current economic climate;
- Impacts to state shared revenues as a result of state income tax cuts;
- Reductions to state shared revenues due to the decrease in Phoenix's relative population share from the 2020 Census; and
- Potential reduction in state and federal funding or new unfunded state or federal mandates, including environmental requirements.

The items above add significant pressure to the GF operating budget and create challenges for estimating City revenues and expenditures. Staff will be working over the next few months to study data trends, gather updated economic information, and complete our necessary budget development steps in order to construct both the GF 2022-23 Budget Status and the GF Five-Year Forecast.

It is important to mention that based on preliminary data from the 2020 Census, it's anticipated Phoenix's relative population share used to calculate state shared revenues will decrease, effective in the current fiscal year. Staff has estimated the negative impact to GF revenue could range from \$15M to \$17M per year. Pension costs will also continue for the foreseeable future based on information we received from the Public Safety Personnel Retirement System (PSPRS) actuary. Estimates from the most recent actuarial projection included in the GF Five-Year Forecast presented to City Council in February 2021 suggest GF costs could increase from the 2021-22

GF budgeted amount of \$245 million, by a range of \$65-\$85 million through the 2025-26 forecast horizon. Updated pension rates from the June 30, 2021 actuarial valuation will be provided to the City in December and will be used to develop the GF 2022-23 Budget Status and Five-Year Forecast. **Attachment C** includes historical and forecasted GF public safety pension costs based on the most recent estimates from the PSPRS actuary.

Additionally, increases in other employee benefit costs including health insurance and worker's compensation are expected. The City's health care costs are expected to increase 7.2 percent, which will result in premium increases ranging from 4 percent to 13 percent for calendar year 2022 to active employee plans. Since the start of the pandemic approximately \$8.6 million has been paid for COVID-19 related claims. Worker's Compensation costs continue to increase as well with the actuary recommending a 3 percent increase in reserves this fiscal year. Since the start of the pandemic there have been over 600 claims filed related to workplace COVID-19 exposures with an incurred cost of approximately \$2.7 million.

2022-23 Budget Calendar

The City Charter and Code include legal deadlines and actions that must be followed in adopting the budget. In cases where the deadlines conflict, the City meets the earlier of the two dates or a date designated by the City Council. Adoption of the budget calendar ensures compliance with the City Charter and Code, and also allows staff to properly plan the budget development process and all legally required advertising. Staff requests City Council approval of the 2022-23 budget calendar reflected in **Attachment D**.

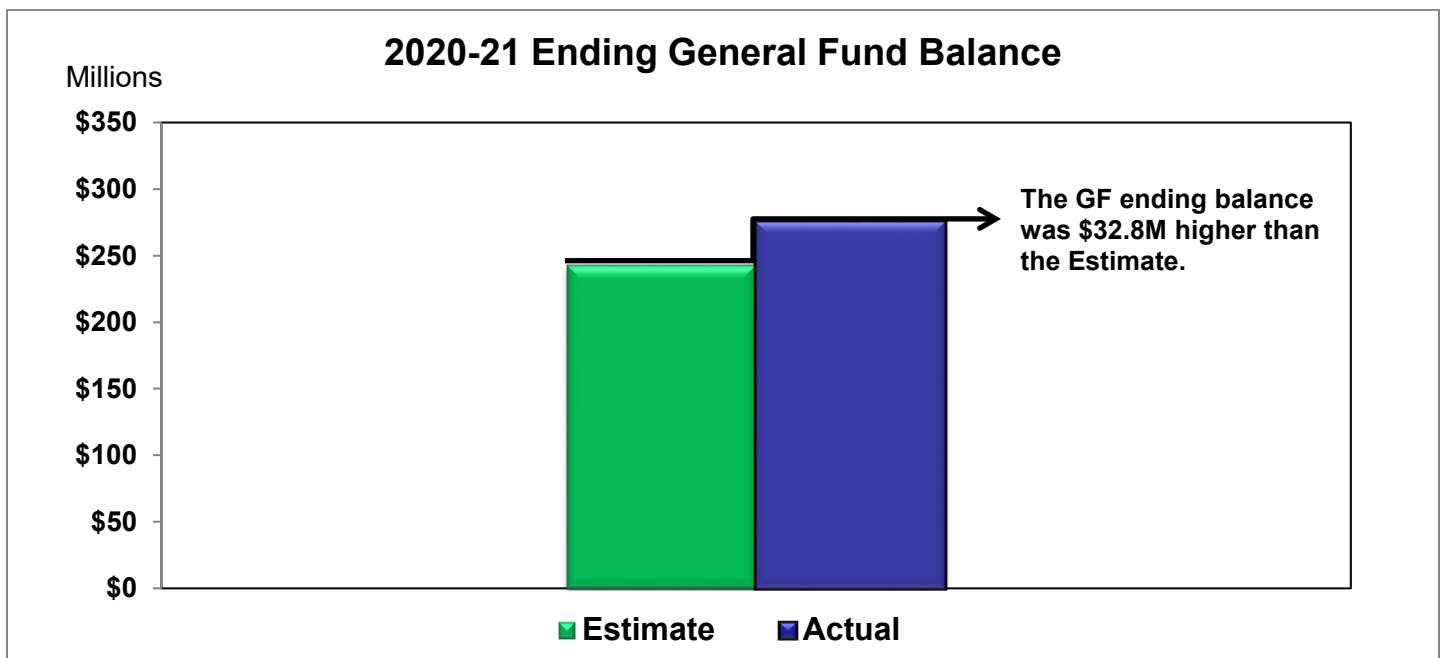
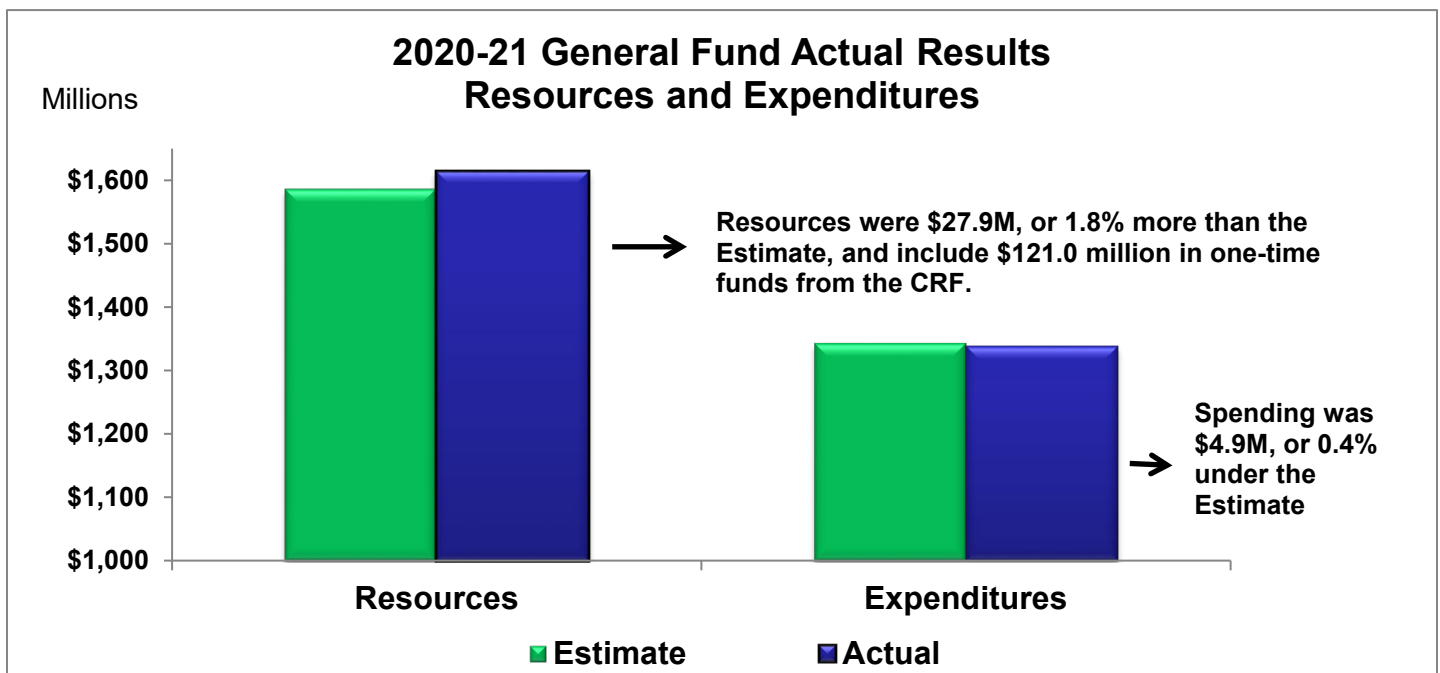
Responsible Department

This item is submitted by City Manager Ed Zuercher, Assistant City Manager Jeffrey Barton, and the Budget and Research Department.

ATTACHMENT A

Total 2020-21 GF resources were \$1,613.5 million and \$27.9 million more than estimated. Resources include \$121.0 million in one-time funding from the Coronavirus Relief Fund (CRF) allocated to the GF in 2019-20 and 2020-21 to offset public safety salaries as permitted by the Federal guidelines and approved by City Council. GF spending was \$1,337.9 million and \$4.9 million under the estimate. As a result, the year-end fund balance was \$275.6 million and \$32.8 million more than estimated.

	Actual	Estimate	Variance Amount	Variance Percent
GF Resources	1,613.5	1,585.6	27.9	1.8%
GF Revenues	1,488.1	1,432.1	56.0	3.9%
GF Expenditures	1,337.9	1,342.8	-4.9	-0.4%
GF Fund Balance	275.6	242.8	32.8	13.5%



ATTACHMENT B
2020-21 COMPARISON OF GENERAL FUND OPERATING EXPENDITURES
REVISED ESTIMATE TO PRE-AUDIT ACTUALS
(In Thousands of Dollars)

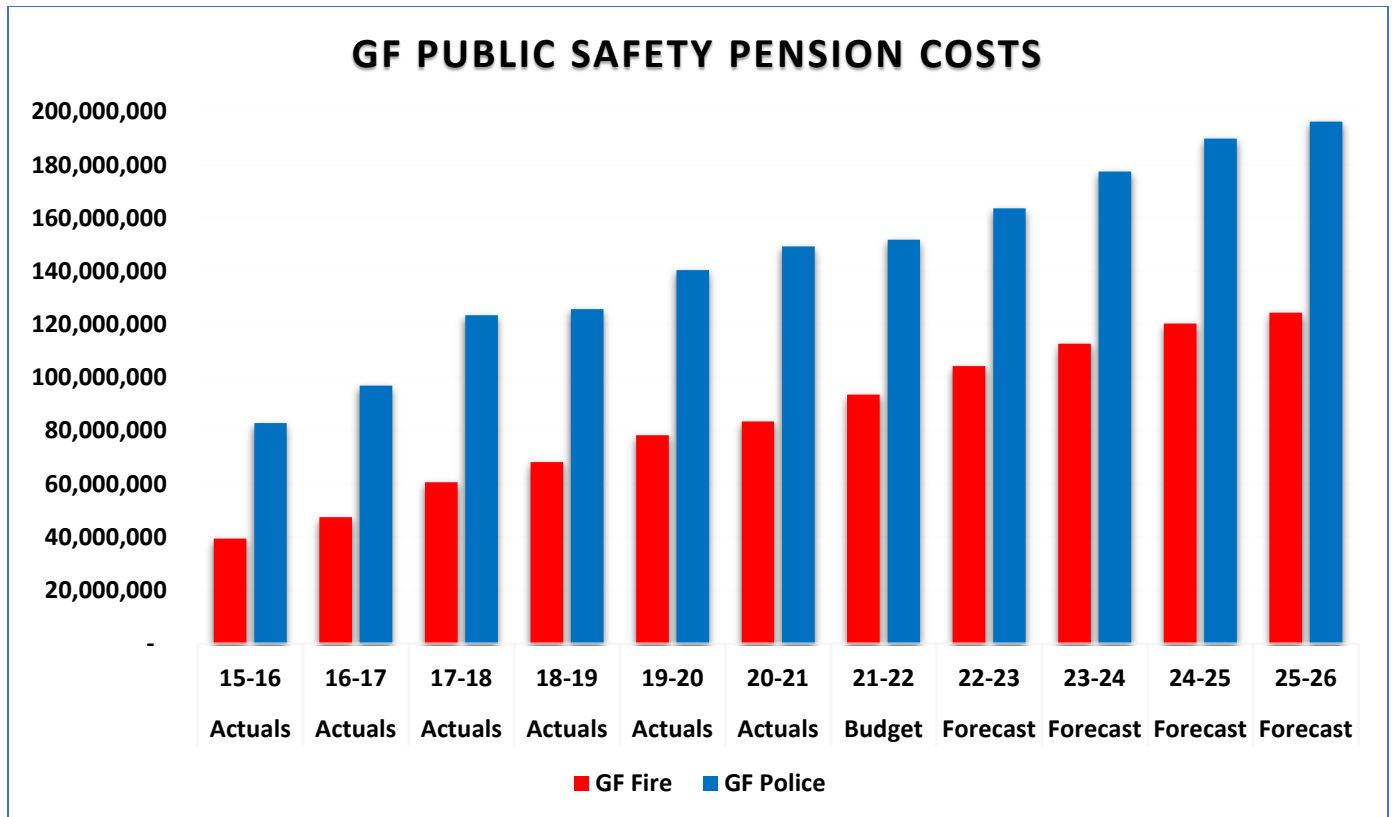
Program	Estimate	Pre-Audit	Actuals	Variance	
				Amount	Percentage
General Government					
Mayor	\$ 2,244	\$ 2,006	\$ (238)	-10.6%	
City Council	5,398	4,162	(1,236)	-22.9%	
City Manager	6,146	2,926	(3,220)	-52.4%	
Government Relations	1,270	1,235	(35)	-2.8%	
Communications Office	2,684	2,713	29	1.1%	
City Auditor	2,912	2,655	(257)	-8.8%	
Equal Opportunity	2,470	2,345	(125)	-5.1%	
Human Resources	13,588	12,768	(820)	-6.0%	
Phoenix Employment Relations Board	140	96	(44)	-31.4%	
Regional Wireless Cooperative	-	-	-	-	
Retirement Systems	-	48	48	100.0%	
Law	6,018	6,295	277	4.6%	
Information Technology	51,753	52,333	580	1.1%	
City Clerk and Elections	6,336	5,519	(817)	-12.9%	
Finance	24,365	21,833	(2,532)	-10.4%	
Budget and Research	3,823	3,597	(226)	-5.9%	
Total General Government	\$ 129,147	\$ 120,531	\$ (8,616)	-6.7%	
Public Safety					
Police	\$ 569,252	\$ 574,045	\$ 4,793	0.8%	
Fire	351,479	351,832	353	0.1%	
Emergency Management	91	43	(48)	-52.7%	
Total Public Safety	\$ 920,822	\$ 925,920	\$ 5,098	0.6%	
Criminal Justice					
Municipal Court	\$ 31,310	\$ 31,102	\$ (208)	-0.7%	
City Prosecutor	18,420	17,645	(775)	-4.2%	
Public Defender	5,373	5,060	(313)	-5.8%	
Total Criminal Justice	\$ 55,103	\$ 53,807	\$ (1,296)	-2.4%	
Transportation					
Street Transportation	\$ 18,967	\$ 18,596	\$ (371)	-2.0%	
Aviation	-	-	-	-	
Public Transit	1,089	418	(671)	-61.6%	
Total Transportation	\$ 20,056	\$ 19,014	\$ (1,042)	-5.2%	

ATTACHMENT B
2020-21 COMPARISON OF GENERAL FUND OPERATING EXPENDITURES
REVISED ESTIMATE TO PRE-AUDIT ACTUALS
(In Thousands of Dollars)

Program	Estimate	Pre-Audit	Actuals	Variance			
				Amount	Percentage		
Community Development							
Planning and Development Services	\$	4,349	\$	4,238	\$	(111)	-2.6%
Housing		295		578		283	95.9%
Community and Economic Development		5,856		5,720		(136)	-2.3%
Neighborhood Services		14,445		13,467		(978)	-6.8%
Total Community Development	\$	24,945	\$	24,003	\$	(942)	-3.8%
Community Enrichment							
Parks and Recreation	\$	95,701	\$	93,833	\$	(1,868)	-2.0%
Library		40,027		38,838		(1,189)	-3.0%
Phoenix Convention Center		2,386		2,006		(380)	-15.9%
Human Services		19,735		19,363		(372)	-1.9%
Office of Arts and Culture		3,947		3,882		(65)	-1.6%
Total Community Enrichment	\$	161,796	\$	157,922	\$	(3,874)	-2.4%
Environmental Services							
Water	\$	-	\$	-	\$	-	-
Solid Waste Management		-		-		-	-
Public Works		17,507		16,892		(615)	-3.5%
Environmental Programs		734		726		(8)	-1.1%
Office of Sustainability		429		440		11	2.6%
Total Environmental Services	\$	18,670	\$	18,058	\$	(612)	-3.3%
Non-Departmental Operating							
Contingencies	\$	-	\$	-	\$	-	-
Unassigned Vacancy Savings		(8,677)				8,677	-100.0%
Total Non-Departmental Operating	\$	(8,677)	\$	-	\$	8,677	-100.0%
GRAND TOTAL	\$	1,321,862	\$	1,319,255	\$	(2,607)	-0.2%

ATTACHMENT C

The below chart illustrates the rise in General Fund (GF) costs for public safety pension. The forecast for fiscal years 2022-23 through 2025-26 is based on information from the Public Safety Personnel Retirement System (PSPRS) Actuary based on the valuation dated June 30, 2020, and included in the most recent GF Five-Year Forecast presented to City Council on February 23, 2021. Projected amounts account for changes made by the PSPRS Board to lower the payroll growth assumption from 3.5% to 2.0% by a factor of 0.5% each fiscal year, which causes upward pressure on employer contribution rates. Actual amounts may differ from the forecast. The forecast will be updated and based on the June 30, 2021 valuation to be issued in December 2021 and will be included in the 2022-23 GF Budget Status and Five-Year Forecast scheduled to be presented to City Council on February 22, 2022.



ATTACHMENT D

2022-23 BUDGET ADOPTION CALENDAR

Date	Budget Items
November 2021	FundPHX (available to the public)
February 4, 2022	2022-23 Inventory of Programs
February 22, 2022	Preliminary 2022-23 Budget Status and 5-Year General Fund Forecast
March 15, 2022	City Manager's Trial Budget and Preliminary CIP
April 2022	Community Budget Hearings (tentative)
May 3, 2022	City Manager's Proposed Budget
May 17, 2022	Council Budget Decision
June 1, 2022	2022-23 Tentative Budget Ordinance Adoption
June 15, 2022	2022-23 Funding Plan and Final Budget Ordinance Adoption
July 1, 2022	2022-23 Property Tax Levy Ordinance Adoption



American Rescue Plan Act Strategic Plan Update

On June 8, 2021 City Council approved the proposed \$196 million American Rescue Plan Act (ARPA) Strategic Plan. This report provides City Council with an update on the ARPA Strategic Plan and includes additional information about several programs that City Council wanted to discuss in more detail.

THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

Summary

As referenced above, City Council approved the ARPA Strategic Plan on June 8, 2021 but requested staff to return with additional information about several programs before commencing operations. One of those programs, the \$10 million Utility and Rental Assistance Program, was discussed on Sept. 7, 2021 and City Council approved staff's recommendation to allocate \$4 million to enhance the existing Emergency Rental Assistance Program, \$5 million to initiate the Deferred Payment Arrangement Recovery Program, and \$1 million for the Landlord Incentive Program.

The remaining programs that City Council requested additional information included the following:

- Workforce Wraparound Tuition/Apprentice Program
- Homelessness and Mental Health Program
- Financial Assistance for Phoenix Families Program

This report also includes a program proposal for the Airport Childcare Facility, an update about the COVID-19 community testing and vaccination health events as part of the Better Health Outcomes and Community Testing and Vaccines Program, and an update regarding the City Operations Investment projects.

After City Council approval of the ARPA Strategic Plan, departments began advancing their respective programs. As of Aug. 31, 2021, ARPA expenditures total \$943,663. Programs with expenditures include administrative oversight, Phoenix Resilient Food System programs, Office of Arts and Culture programs, transit summer heat respite,

community COVID-19 testing, and the Summer Heat Respite Program.

All ARPA programs are set to move forward by early next year. Several departments will be returning to City Council this fall for contract authority or additional spending authority. Staff will return to City Council before the end of the calendar year to provide an additional ARPA update.

ARPA Website and Recovery Plan Performance Report

To provide transparency to the public about the City's ARPA programs, staff created a website that will serve as the main source of ARPA data and updates. As spending continues this year, performance measures will be added to the website. Users can visit www.phoenix.gov during the week of Sept. 20 to view the website.

Website pages follow the City's ARPA Strategic Plan where users can easily navigate from one ARPA program to another. All program information, including summary details, budget and actuals, key performance indicator data, other program data, and additional corresponding website links will be available. Data will be updated monthly at a minimum.

Per US Treasury reporting guidelines, the Recovery Plan Performance Report must be updated and posted annually on the City's website. The first report was submitted on Aug. 31, 2021 and is available online on the City's ARPA website. This report is required for each jurisdiction larger than 250,000 residents and contains project performance data, including information on efforts to improve equity and engage communities. Staff also submitted the first and only Interim Report to the US Treasury in August that included program expenditures as of July 31, 2021.

ARPA Programs Requiring Additional Council Input

Workforce Wraparound Tuition/Apprentice Program Proposal

City Council required the \$10 million Workforce Wraparound Tuition/Apprentice Program to be brought back with further discussion outlining the proposed program and its implementation. Staff recommends utilizing \$8.5 million to offer free training and education to residents who have been impacted by the pandemic in the hardest-hit industries of hospitality, food service, retail, and families with young children. Referred to as the Two-Generation approach, the program targets low-income families and children from the same households and combines parent and child interventions that improve economic mobility. For families with young children and participants who are not enrolled at a Maricopa County Community College, staff recommends allocating \$1.5 million of program funds to partner with a community-based organization to expand the existing suite of workforce services.

The program will leverage existing City workforce resources as identified in the City of Phoenix Local Workforce Development Area Plan by offering short-term and long-term training in industries and occupations. The current list includes bioscience and healthcare, financial services/customer contact centers, information technology/cybersecurity, manufacturing, and construction. Tuition assistance will be provided to participants enrolled at a Maricopa County Community College or other identified training providers. As well, the program will offer skill and career assessments, high school equivalency preparation, English language learning programs, and education and workforce navigation services, such as case management and work readiness training and referrals to specialized services and assistance.

Staff has identified additional industries and certifications/credentials for City Council consideration: early childhood education, community health services (peer support specialist), electric vehicle technician/technology, entrepreneurship, and small business, and hospitality and tourism. Staff recommends providing a monthly stipend of \$1,000 for up to 26 weeks to eligible participants to assist with transportation and other personal expenses that will enable participants to complete the program. Families with young children will receive an additional \$500 per month to cover childcare expenses. Once approved, staff will return to City Council to approve an intergovernmental agreement with the Maricopa County Community College District Workforce and Economic Development Office to provide navigation services to program participants enrolled at a Maricopa County Community College.

Homelessness and Mental Health Program Proposal

City Council required the \$10.5 million Homelessness and Mental Health Program be brought back with further information outlining proposed implementation. The City received feedback at the previous budget hearings for the need of more mental health services in the community. Leveraging ARPA funds to increase access to mental health services is important as the number of people experiencing mental health challenges has grown significantly since the start of the pandemic.

Many jurisdictions plan to use ARPA funding to contract with local nonprofits to expand or offer new mental health services to residents. An example is Indianapolis, Indiana, which will use \$30 million to fund mental health resources, including in-school services, support at the juvenile detention center, and training for behavioral health clinicians. Another example is San Antonio, Texas which plans to use ARPA funding to extend its Human Services Financial Empowerment Benefits Navigation program that connects residents to financial counseling, safety net, mental health, domestic violence, and job training resources.

Staff recommends allocating \$9 million to contract with local healthcare providers for outreach teams that will connect residents throughout the city (based on heat maps) with mental health and substance abuse services, and physical health services. Contractors will screen individuals for Arizona Health Care Cost Containment System (AHCCSS) eligibility and assist in applying for public benefits.

Staff also recommends allocating the remaining \$1.5 million to contract with local nonprofits to start a pilot outreach project to offer and provide services for those experiencing homelessness along the Salt River Project (SRP) canals and surrounding areas. Additionally, funds will be used to partner with an agency to create a pilot Phoenix Works program which will train and pay individuals experiencing homelessness to conduct beautification projects and landscaping duties. This pilot program will focus on cleanups on the SRP canals and surrounding areas.

Staff will return to City Council for contract approval for each program.

Financial Assistance for Phoenix Families Program Proposal

Across the country, the pandemic exacerbated structural inequities and disproportionately impacted low-income communities and people of color. Many cities are planning to use ARPA funding to provide a fixed monthly amount to qualified residents to provide a greater financial stability and improve quality of life in their communities.

A few examples of jurisdictions using ARPA funds include Los Angeles County and Chicago, IL. In Phase 1 of its ARPA plan, Los Angeles County has allocated \$16.3 million to programs and in May approved a guaranteed income pilot program for a minimum of 1,000 residents up to \$1,000 a month for three years. The County continues discussions of different programs to date. Chicago proposed a program for 5,000 residents to receive \$500 for a year.

City Council approved \$12 million in ARPA funds to initiate the Financial Assistance for Phoenix Families program as part of the City's ARPA Strategic Plan. Based on extensive research, staff recommends the following:

- Provide 1,000 - 2,000 households a \$500 - \$1,000 stipend for 12 months, beginning January 2022, if not sooner.
- Households must be at or below 80 percent Area Median Income, which for a family of four is \$63,200 (this is considered gross income, or also known as pretax income). Households that have applied to the Emergency Rental Assistance

Program and/or residents of City-owned public housing properties, including residents with Section 8 vouchers, will be chosen via a lottery system.

- Participants will receive monthly funds via a debit card and will be able to purchase items with a few limitations, such as no alcohol, tobacco, or lottery ticket purchases. The card will be declined for such purchases.
- Participants must agree to allow general purchasing information to be shared with the City to track and report on the progress of the program, as encouraged by the US Treasury.
- The City is requesting a contract be executed with a firm that has experience administering similar programs. The City is currently exploring options with vendors as well as with Chase to use the City's Master Custodian Agreement and review whether it is possible for Chase to administer the program.

Based on the first year of results, staff would recommend to continue this program, along with any necessary program changes, with the second allocation of ARPA funds in calendar year 2023.

Other ARPA Program Information and Updates

Airport Childcare Facility Program

As part of the ARPA Strategic Plan, City Council approved the allocation of \$5 million to fund childcare options for workers at Sky Harbor International Airport. The Aviation Department surveyed companies operating at the airport and at least 21 companies had more than 600 employees interested in affordable childcare. In response to this survey, staff conducted a review of peer airports and found that Los Angeles International Airport (LAX) has used contractors to provide on-premises childcare since 1998, and that additional peer airports had operated childcare services for employees through third-party providers in the past but had discontinued services due to the COVID-19 pandemic and related challenges.

Staff is working to identify a possible on-property location that could be used to pilot a childcare option. Currently, the Aviation Annex at 3420 E. Sky Harbor Boulevard in Terminal 3 is being reviewed to determine if it could be modified to meet state licensing requirements to function as a childcare facility. If it is determined that a building can be modified to meet necessary standards, staff is requesting to issue a procurement for childcare services to be provided at the facility by a third-party contractor.

Given the potential length of time for building approval and modifications and to conduct the procurement, staff recommends using a majority of allocated funds to provide vouchers to airport employees for use at childcare facilities. To expedite this

process, staff is seeking to identify a nonprofit or governmental partner to administer the voucher program and conduct necessary income verification and coordination.

City Operations Investment - Stormwater Projects and 27th Avenue Materials Recovery Facility Replacement Project

The two sections below provide updates to the City Operations Investment section of the ARPA Strategic Plan. On June 8, City Council approved \$23 million for infrastructure, technology, and capital needs, including stormwater projects and the rehabilitation of the 27th Avenue Materials Recovery Facility (MRF), a facility that separates and prepares the City's recycling materials to be sold to end buyers.

Stormwater Projects

According to the Federal Emergency Management Agency (FEMA), floods occur in every region of the country and include inland flooding, flash floods and flooding from seasonal storms. Ninety percent of natural disasters in the US involve some type of flooding. At a local level, Salt River Project and Maricopa County joined the City of Phoenix to encourage State of Arizona lawmakers to enact legislation in 1959 to create flood control districts. In the past twenty years, the Flood Control District of Maricopa County and the City of Phoenix have collaborated to construct flood control improvements estimated at \$300 million. Despite those investments, continued urbanization and insufficient capital investment funding has resulted in a projected \$1.75 billion worth of additional flood control investment needs. This was most recently highlighted in 2014 when severe flooding caused significant local property damage.

ARPA provides an opportunity to invest federal funding and leverage additional money from the Flood Control District of Maricopa County to complete several priority projects. The City is coordinating with the Flood Control District of Maricopa County to develop an investment strategy focused on completing a projected \$26 million dollars of stormwater flood protection projects in Phoenix. The strategy would utilize \$13 million dollars in ARPA funds to leverage an additional \$13 million in Flood Control District funds. Staff will return to City Council later this year for consideration of specific projects recommended for capital investment. If passed by Congress, the Infrastructure Investment and Jobs Act could provide additional funding to address more stormwater and flood mitigation projects. Staff will continue to monitor this bill and keep Council updated regularly.

27th Avenue Materials Recovery Facility Replacement Project

The 27th Avenue MRF has needed equipment and facility updates for several years. As a result of the pandemic, recycling tonnage increased up to 20 percent, causing City facilities to operate beyond maximum levels. The 27th Avenue MRF closed in January of this year due to equipment and facility needs and the North Gateway

Transfer Station continues to operate at full capacity, furthering heightening the demand for the facility replacement.

Staff has spent the last year preparing this replacement project. A contractor has been selected to begin demolition on Oct. 4 of the outdated equipment. A second contractor has been selected to perform an assessment and design building improvements, such as fire-life safety, HVAC, and electrical updates. An RFP is currently open to select the MRF equipment vendor with bids due on Oct. 6. Finally, a professional MRF facility design and engineering services consultant has been secured to provide a technical analysis of the bid proposals. This report will be provided to the selection panel to assist with the final award recommendation. Staff estimates the total project will cost approximately \$20 million and of that, \$10 million will be paid with ARPA funding.

Better Health Outcomes and Community Testing and Vaccines Update

The ARPA Strategic Plan included \$5 million to continue COVID-19 community testing and vaccine distribution. Since then, Phoenix Fire and Public Works staff, in collaboration with multiple City departments, have assisted community partners with organizing and promoting testing services at no cost to residents in underserved areas disproportionately impacted by COVID-19. Since last year, the City has expended \$7.6 in CARES Act funding and approximately \$105,000 in ARPA funding to advance community testing and vaccine efforts.

In May 2020, the Public Works Department led an effort to provide stationary site testing, known as Blitz Testing, events for residents. This included partnerships with certified health providers who set up testing clinics at City parks, neighborhood schools, or churches and coordinated all aspects of the testing services which included publicizing events, coordinating with City staff, collecting, and analyzing samples and notifying residents of results. To date, Public Works staff has coordinated 220 Blitz Testing events across the City, while partnering with eight health care providers to provide approximately 42,000 tests. Blitz Testing events expanded in August 2021 to include vaccination services.

The City led many citywide efforts to help stop the spread of the virus during the pandemic. Phoenix was the first Arizona municipal organization to provide COVID-19 mobile testing vans to underserved communities. The Public Works Department, in partnership with two local health care providers, launched two COVID-19 mobile testing vans that provide easy, accessible, rapid testing using an innovative solution to testing. The first mobile van was implemented in August 2020, and the second was deployed in February 2021. The vans operate up to five days a week at locations across the City including parks, community centers, schools, grocery stores, libraries, and churches. The mobile vans prioritize underserved communities and areas of high transmission.

Benchmarking reports provided by the Maricopa County Department of Public Health are essential to identify underserved communities with the greatest risk of COVID-19 transmission with percentage positivity rates. Mobile vans help address equity issues and eliminate barriers by providing a direct mobile solution to communities that may lack access to testing services and public transportation. To date, the Public Works Department has provided approximately 146,000 COVID-19 tests through the mobile testing vans at nearly 360 events throughout the Phoenix community. Testing events were expanded in August 2021 with both mobile vans to include vaccination services.

Phoenix Fire Department, with the help of community partners, assisted with nearly 200 clinics in under-served areas disproportionately impacted by COVID-19. Events included two-dose vaccinations and testing at city-owned housing communities, parks, and libraries. In January 2021, the Fire Department began using the existing Baby Shots Program to assist in providing COVID-19 testing and vaccine services. Established in 1994 to promote health to the public through information and vaccinations, the Baby Shots Program has provided tens of thousands of vaccines to the underserved (uninsured & underinsured) community. Since the addition of COVID-19 vaccinations and testing, the Baby Shots program and pop-up vaccination clinics have administered over 200,000 COVID-19 vaccinations and provided nearly 50,000 COVID-19 tests.

As COVID-19 continues to surge on a local and national level, it remains clear that testing and vaccination services are needed to reduce the spread within the community. To enhance resident vaccine participation, staff recommends a pilot Vaccination Incentive Program. The Vaccination Incentive Program would offer incentives to residents to increase vaccination rates in underserved communities. The City would partner with current health care clinical partners to distribute up to 1,000 \$100 gift cards and donated items such as food boxes or backpacks to support the Incentive Program. Residents who get fully vaccinated would have an opportunity to receive a gift card from a local grocery store, food chain, or gas station. If the program has a significant impact on vaccine distribution rates, staff will return to City Council to request continuing the program beyond the pilot program.

Recommendations

Staff seeks approval to implement the Workforce Wraparound Tuition/Apprentice, Homelessness and Mental Health, and Financial Assistance for Phoenix Families ARPA programs as described above. Staff also seeks approval to use ARPA funding to provide up to 1,000 \$100 gift cards to residents who receive the COVID-19 vaccine.

Staff will present additional information for ARPA programs as necessary to City Council later this fall.

Concurrence/Previous Council Action

The City Council approved the ARPA Strategic Plan on June 8, 2021, by a vote of 7-2.

Responsible Department

This item is submitted by Assistant City Manager Jeffrey Barton.