

City of San Diego  
**Recovery Plan**

**State and Local Fiscal Recovery  
Funds**  
2023 Report

**City of San Diego**  
**2023 Recovery Plan**

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## GENERAL OVERVIEW

### **Executive Summary**

The City of San Diego (City) provides a full range of governmental services to residents and visitors. The City's General Fund provides essential services such as public safety, parks and recreation, library services, and refuse collection, as well as vital support functions such as finance, legal, and human resources. These services in the General Fund are primarily supported by property tax, sales tax, transient occupancy tax, and franchise fees and account for approximately 2/3 of the revenue in the General Fund. As a result, any significant changes in these General Fund revenues will impact the level of services that the City is able to provide to residents and visitors.

At the start of calendar year 2020, San Diego's economic outlook was trending stable and positive. However, with the effects of the COVID-19 pandemic, which started in March 2020, the economy significantly declined resulting in a global economic recession. The COVID-19 pandemic and the economic recession resulted in a significant decline in anticipated General Fund revenues. The most impacted revenues included sales tax, transient occupancy tax, user fees, and fines. These losses have impacted the available resources to provide essential services in the General Fund.

During the beginning of the COVID-19 pandemic, the City took multiple fiscal actions to address the revenue shortfalls and reduce expenditures, including service level reductions in non-essential services. These actions resulted in a better financial position to respond to revenue losses in the General Fund. However, without the direct support from the federal government the City would be required to eliminate and reduce essential services citywide.

On March 27, 2020, the federal government passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the COVID-19 pandemic. The CARES Act established the Coronavirus Relief Fund (CRF) from which the City received \$248.4 million that was focused on providing resources to combat the COVID-19 pandemic. CRF was primarily allocated and expended in the General Fund in Fiscal Year 2020 and Fiscal Year 2021 to provide and maintain emergency services required during the COVID-19 pandemic.

On March 11, 2021, the federal government passed the American Rescue Plan Act (ARPA). The ARPA established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds (SLFRF) to provide support to State, territorial, local, and Tribal governments in responding to the economic and public health impacts of COVID-19 and efforts to contain impacts on their communities, residents, and businesses from which the City received \$299.7 million. SLFRF award may be used for the following four statutory categories:

1. To respond to the COVID-19 public health emergency or its negative economic impacts;
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; and
4. To make necessary investments in water, sewer, or broadband infrastructure.

### **Uses of Funds**

The City will use SLFRF for general revenue replacement (U.S. Treasury Compliance and Reporting Guidance, Version 1.1, Category f) for lost revenue resulting from the COVID-19 pandemic. These additional funds will be allocated to the General Fund and will allow the City to maintain essential services that otherwise would have been eliminated or reduced as described above. The services will not include the following uses; as a deposit into a pension fund, as a non-federal grant match, as a service debt, to satisfy a judgment or settlement, or to contribute to reserves. For the first SLFRF reporting period, March 31, 2021 through July 31, 2021, the City reported \$0 expended. For the second SLFRF reporting period, July 1, 2021 through June 30, 2022, the City reported \$100 million expended. For the third reporting period, July 1, 2022 through June 30, 2023, the City is reporting \$147.6 million expended. The City has allocated the remaining \$52.1 million in the Fiscal Year 2024 for revenue shortfall.,

Adopted Budget for revenue replacement.

The Fiscal Year 2024 General Fund Adopted Budget was based on a multi-year analysis that funds critical expenditures and addresses the projected revenue shortfalls in Fiscal Year 2024, and in future fiscal years with, recommended allocation of funds included in the ARPA, potential programmatic reductions, and other mitigation actions. Looking beyond Fiscal Year 2024, there is an ongoing need to reach a structurally balanced budget where ongoing revenues support ongoing expenditures. The proposed multi-year analysis reflects revenue shortfalls in future fiscal years that will require mitigation.

### **Other ARPA Federal Recovery Funds**

On February 22, 2021, the San Diego City Council authorized the City of San Diego’s COVID-19 Housing Stability Assistance Program (HSAP) to be administered by the San Diego Housing Commission (Housing Commission). HSAP was funded with a combination of State Block grant, direct Federal funding from Coronavirus Relief, American Rescue Plan Act (ARPA), directly from the U.S Department of the Treasury, and the State’s Block grant and State Emergency Rental Assistance Program (ERAP) Loan funds. HSAP provides rental assistance and/or utility assistance to households with low income (up to 80 percent of San Diego’s Area Median Income [AMI]) experiencing financial hardship due to or during the ongoing COVID-19 pandemic. The Housing Commission launched the online application portal for HSAP on March 15, 2021, and ceased the acceptance of new application after March 31, 2022, in accordance with California State Senate Bill 115 (SB 115) COVID-19 Rent Relief Program regulations.

The Housing Commission began making payments for qualifying applicants in late April 2021. Through HSAP, as of June 30, 2023, the Housing Commission has made payments totaling \$218,621,397.08 to help 18,318 qualifying households with low income.

| <b>July 1, 2022 to June 30, 2023</b> | <b>Count:<br/>Unduplicated<br/>Households<br/>Assisted</b> | <b>Program<br/>Dollars</b> |
|--------------------------------------|--|----------------------------|
| City of San Diego ARPA-Only          | 0  | \$0.00                     |
| State Block Grant ARPA-Only          | 132  | \$29,100.58                |

To be eligible for assistance through HSAP, households must meet the following criteria:

- Tenant has a City of San Diego address;
- Household income is at or below 80 percent of San Diego’s Area Median Income (AMI);
- Household has a current obligation to pay rent on a residential dwelling;
- At least one member of the household has experienced a reduction of income, or other financial hardship, due to or during the COVID-19 pandemic; and
- Household experienced, or is at risk of experiencing, homelessness or housing instability.

Priority is given to these types of households:

- Income is at or below 50 percent of San Diego’s AMI;
- At least one member of the household has been unemployed for 90 days and remains unemployed; or
- The household has received an eviction notice or summons.

On June 28, 2021, California Governor Gavin Newsom signed into law Assembly Bill (AB) 832, which allows programs like HSAP to pay 100 percent of past-due and prospective rent for qualifying households affected by the pandemic. This included providing additional assistance to households that already received payment for a portion of their rent under the previous program restrictions to bring their assistance up to 100 percent. AB 832 also extended the statewide eviction moratorium through September 30, 2021, providing essential protection for renters while the Housing Commission continued to provide rental assistance to qualifying households in need. AB 832 took effect immediately as an urgency statute. In September 2021, the program began issuing assistance payments with ARPA funds, which allowed qualifying households to receive up to 18 months of assistance. This was an increase from the previously allocated federal funds, which capped assistance at 15 months. The program implemented the portal functionality to allow households who previously applied, including those who already received assistance, to submit updated information and request additional assistance from the program if needed.

As of May 11, 2022, the Housing Commission had fully expended all of the previously allocated funds available for assistance payments for HSAP. The Housing Commission temporarily paused assistance payments until the State of California approved the City of San Diego’s application for a cash flow loan to support HSAP, as authorized by SB 115.

On June 28, 2022, the Housing Commission received the \$29.9 million the State of California awarded to the City of San Diego through a cash flow loan program, pursuant to SB 115. These funds enable the COVID-19 Housing Stability Assistance Program to help all qualifying households with low income that submitted applications on or before March 31, 2022, for rent and utilities owed during or before March 2022. The Housing Commission resumed disbursing assistance payments on June 29, 2022.

If the U.S. Treasury allows, the State cash flow loan would be repaid with additional federal funds that may be awarded for this program. However, if the federal government does not award sufficient additional funding to repay the loan or such federal funding is not received by June 30, 2023, the State would forgive the balance of the cash flow loan.

In alignment with SB 115, the Housing Commission closed the HSAP application on March 31, 2022, and all payments were finalized as of August 31, 2022.

On January 23, 2023, and April 12, 2023, the U.S. Treasury notified the City of San Diego that it had been reallocated an additional \$706,535.08 and \$904,648.30, respectively in ARPA dollars. Any unobligated funds as of October 1, 2022, can also be used for affordable rental housing and eviction prevention purposes.

### **Promoting Equitable Outcomes**

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. Therefore, the City does not have an applicable plan to use SLFRF to promote equitable outcomes. However, the annual Adopted Budgets includes programs focused on promoting equitable outcomes, including, but not limited to, the small business aid to qualified businesses and nonprofits that COVID-19 has negatively impacted and the restoration of the Small Business Enhancement Program with a focus on communities of concerns. It also includes youth programming that supports equitable access to recreational opportunities and funding for infrastructure projects within underserved communities, to help these communities effectively respond to the impacts of climate change.

### **Community Engagement**

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. The use of the remaining SLFRF funds has been incorporated into the Fiscal Year 2024 budget, which captures diverse feedback from constituents, community-based organizations, and the communities themselves. The City published the General Fund's Fiscal Year 2024-2028 Five-Year Financial Outlook and presented the information at a public meeting where members of the community provided input at this early stage of the budget development process. The Proposed Budget was developed in conjunction with the Mayor, City Council, City departments, Independent Budget Analyst, and public input.

Mayor Gloria released the Fiscal Year 2024 Proposed Budget on April 14, 2023, followed by a report from the Office of the Independent Budget Analyst (IBA), reviewing the Fiscal Year 2024 Proposed Budget, which was issued on April 28, 2023.

During the month of May, the City Council held a series of public budget hearings to obtain input from San Diego residents on spending priorities. Council members used the information received at these hearings to develop the districts' priorities and to recommend changes to the Fiscal Year 2024 Proposed Budget.

On May 16, 2023, the Mayor's May Revision to the Fiscal Year 2024 Proposed Budget was released, incorporating input from the community and from the City Council. In this report, the Mayor recommended changes to the budget based on up-to-date policy-related issues and revised Fiscal Year 2022 year-end revenue and expenditure projections. On June 7, 2023, the IBA issued a report of recommended City Council modifications to the Mayor's Fiscal Year 2024 Proposed Budget and May Revision, also based on community input that informed the City councilmembers' spending priorities.

On May 18, 2023, the Budget Review Committee reviewed the Mayor's May Revision. The final modifications to the budget were approved by the City Council on June 12, 2023, after which the Appropriation Ordinance was adopted into law.

### **Labor Practices**

As stated above, the City is planning to allocate SLFRF for general revenue replacement to maintain essential services that otherwise would have been eliminated or reduced as described above. Therefore, the City does not have an applicable plan to use SLFRF for infrastructure. However, the City's Purchasing and Contracting and Compliance Departments manage programs that promote effective and efficient delivery of high-quality infrastructure projects including the Equals Benefits, Equal Opportunity Contracting, Prevailing Wage, and Living Wage Programs.

### **Use of Evidence**

At this time, the City does not have an applicable plan for this category. However, the City is planning to allocate the additional funds to the General Fund to maintain essential services that otherwise would have been eliminated or reduced as described above.

**Table of Expenses by Expenditure Category**

| Category |   | Cumulative expenditures to date (\$)   | Amount spent since last Recovery Plan  |
|----------|---|--|--|
| 1        | Expenditure Category: Public Health   |  |  |
| 1.1      | COVID-19 Vaccination  |  |  |
| 1.2      | COVID-19 Testing  |  |  |
| 1.3      | COVID-19 Contact Tracing  |  |  |
| 1.4      | Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)                       |  |  |
| 1.5      | Personal Protective Equipment   |  |  |
| 1.6      | Medical Expenses (including Alternative Care Facilities)  |  |  |
| 1.7      | Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency |  |  |
| 1.8      | Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)                     |  |  |
| 1.9      | Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19                           |  |  |
| 1.10     | Mental Health Services  |  |  |
| 1.11     | Substance Use Services  |  |  |
| 1.12     | Other Public Health Services  |  |  |
| 2        | Expenditure Category: Negative Economic Impacts   |  |  |
| 2.1      | Household Assistance: Food Programs   |  |  |
| 2.2      | Household Assistance: Rent, Mortgage, and Utility Aid   | All: \$218,621,397.08<br>City of SD ARPA: \$46,358,203.72<br>State Block Grant ARPA: \$57,499,704.95 | All: \$29,100.58<br>City of SD ARPA: \$0.00<br>State Block Grant ARPA: \$29,100.58 |
| 2.3      | Household Assistance: Cash Transfers  |  |  |
| 2.4      | Household Assistance: Internet Access Programs  |  |  |
| 2.5      | Household Assistance: Eviction Prevention   |  |  |
| 2.6      | Unemployment Benefits or Cash Assistance to Unemployed Workers  |  |  |
| 2.7      | Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)         |  |  |
| 2.8      | Contributions to UI Trust Funds*  |  |  |



|      |  |  |  |
|------|--|--|--|
| 2.9  | Small Business Economic Assistance (General) |  |  |
| 2.10 | Aid to nonprofit organizations               |  |  |
| 2.11 | Aid to Tourism, Travel, or Hospitality       |  |  |

| Category |   | Cumulative expenditures to date (\$) | Amount spent since last Recovery Plan |
|----------|---|--------------------------------------|---------------------------------------|
| 2.12     | Aid to Other Impacted Industries  |                                      |                                       |
| 2.13     | Other Economic Support  |                                      |                                       |
| 2.14     | Rehiring Public Sector Staff  |                                      |                                       |
| 3        | Expenditure Category: Services to Disproportionately Impacted Communities                             |                                      |                                       |
| 3.1      | Education Assistance: Early Learning  |                                      |                                       |
| 3.2      | Education Assistance: Aid to High-Poverty Districts   |                                      |                                       |
| 3.3      | Education Assistance: Academic Services   |                                      |                                       |
| 3.4      | Education Assistance: Social, Emotional, and Mental Health Services                                   |                                      |                                       |
| 3.5      | Education Assistance: Other   |                                      |                                       |
| 3.6      | Healthy Childhood Environments: Child Care  |                                      |                                       |
| 3.7      | Healthy Childhood Environments: Home Visiting   |                                      |                                       |
| 3.8      | Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System |                                      |                                       |
| 3.9.     | Healthy Childhood Environments: Other   |                                      |                                       |
| 3.10     | Housing Support: Affordable Housing   |                                      |                                       |
| 3.11     | Housing Support: Services for Unhoused persons  |                                      |                                       |
| 3.12     | Housing Support: Other Housing Assistance   |                                      |                                       |
| 3.13     | Social Determinants of Health: Other  |                                      |                                       |
| 3.14     | Social Determinants of Health: Community Health Workers or Benefits Navigators                        |                                      |                                       |
| 3.15     | Social Determinants of Health: Lead Remediation   |                                      |                                       |
| 3.16     | Social Determinants of Health: Community Violence Interventions                                       |                                      |                                       |
| 4        | Expenditure Category: Premium Pay   |                                      |                                       |
| 4.1      | Public Sector Employees   |                                      |                                       |
| 4.2      | Private Sector: Grants to other employers   |                                      |                                       |
| 5        | Expenditure Category: Infrastructure  |                                      |                                       |
| 5.1      | Clean Water: Centralized wastewater treatment   |                                      |                                       |
| 5.2      | Clean Water: Centralized wastewater collection and conveyance   |                                      |                                       |
| 5.3      | Clean Water: Decentralized wastewater   |                                      |                                       |
| 5.4      | Clean Water: Combined sewer overflows   |                                      |                                       |
| 5.5      | Clean Water: Other sewer infrastructure   |                                      |                                       |

|     |                                  |  |  |
|-----|----------------------------------|--|--|
| 5.6 | Clean Water: Stormwater          |  |  |
| 5.7 | Clean Water: Energy conservation |  |  |
| 5.8 | Clean Water: Water conservation  |  |  |

| <b>Category</b> |   | <b>Cumulative expenditures to date (\$)</b> | <b>Amount spent since last Recovery Plan</b> |
|-----------------|---|---|--|
| 5.9             | Clean Water: Nonpoint source                                    |   |  |
| 5.10            | Drinking water: Treatment                                       |   |  |
| 5.11            | Drinking water: Transmission & distribution                     |   |  |
| 5.12            | Drinking water: Transmission & distribution: lead remediation   |   |  |
| 5.13            | Drinking water: Source  |   |  |
| 5.14            | Drinking water: Storage   |   |  |
| 5.15            | Drinking water: Other water infrastructure                      |   |  |
| 5.16            | Broadband: "Last Mile" projects                                 |   |  |
| 5.17            | Broadband: Other projects                                       |   |  |
| 6               | Expenditure Category: Revenue Replacement                       |   |  |
| 6.1             | Provision of Government Services                                | \$247,633,704                               | \$147,633,704                                |
| 7               | Administrative and Other  |   |  |
| 7.1             | Administrative Expenses   |   |  |
| 7.2             | Evaluation and data analysis                                    |   |  |
| 7.3             | Transfers to Other Units of Government                          |   |  |
| 7.4             | Transfers to Nonentitlement Units (States and Territories only) |   |  |
|                 | <b>Total</b>  | <b>\$247,633,704</b>                        | <b>\$147,633,704</b>                         |