

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 12, 2021

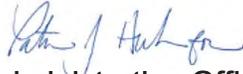
CAO File No. 0220-05867-0000

Council File No. 21-0600-S2

Council District: All

To: City Council

From: Matthew W. Szabo, City Administrative Officer



Reference: C.F. 21-0600-S2

Subject: **RECOMMENDATIONS ON INCLUDING CITY COUNCIL IN THE COVID-19 EMERGENCY FUND DECISION MAKING PROCESS**

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. Transfer \$24.8 million from the Unappropriated Balance, Fund No. 100, Department 58, Account No. 580350, COVID-19 Emergency Response to the General City Purposes, Fund No. 100, Department No. 56, Account No. 000955, COVID-19 Emergency Response to fund the costs of testing, vaccination and Federal Emergency Management Agency (FEMA) reimbursement support; and,
2. Transfer \$1.2 million from the Unappropriated Balance, Fund No. 100, Department 58, Account No. 580350, COVID-19 Emergency Response to the Office of the City Administrative Officer, Fund No. 100, Department No. 10, Account No. 003040, Contractual Services for the contract with KPMG in support of the U.S. Department of Treasury's reporting requirements pursuant to the American Rescue Plan Act.

That the City Council:

3. Approve the following three spending categories for the COVID-19 Emergency Fund: 1) Testing, 2) Vaccination, and 3) FEMA Reimbursement Support and instruct that any use of the funds COVID-19 Emergency Fund for purposes other than the approved priorities be submitted to the City Council for approval.

SUMMARY

This report is in response to CF. 21-0600-S2, which instructed this Office to report with recommendations on how to include the City Council in a more proactive decision-making role for the COVID-19 Emergency Fund (CEF). In addition, this report provides information on the proposed

uses of the \$25 million in the Unappropriated Balance for the COVID-19 Emergency Response and related recommendations.

DISCUSSION

In addressing this instruction, we have identified two approaches based on different understandings of what is meant by “proactive decision-making.” One approach is to have Council proactively identify the spending categories for the CEF at the time of transferring funds into the account. This approval would be based on the existing response activities that the City is currently engaged in and Council’s determination of funding priorities for those existing priorities.

Alternatively, if by “proactive” Council means having a decision-making role in determining the City’s response activities before they are implemented, we provide a discussion of the City’s Emergency Operations Organization (EOO) and the options for Council’s input to the EOO process. We recommend that any changes to this process be developed in coordination with the Emergency Management Department (EMD), the Mayor’s Office and the Chief Legislative Analyst’s Office (CLA).

COVID-19 Emergency Fund

The CEF was created in March 2020 with an initial transfer of \$20 million as a loan from the Reserve Fund (C.F. 20-0147-S46). As part of this action, the City Administrative Officer (CAO) was instructed to spend funds from the CEF at the direction of the Mayor during the declared local emergency and to provide reports to Council on expenses incurred and purposes for which the funds were authorized. We have been submitting weekly reports on spending from the account (C.F. 20-0147-S46).

Subsequent to the initial transfer, three additional transfers have infused funds into the CEF to continue meeting the cash flow needs of the City’s COVID-19 response efforts (C.F. 20-0501, 20-0530 and 20-0147-S53). Each of these transfers were loans to the CEF from other City special funds. Two of these loans were from the Building and Safety Trust Fund for \$50 and \$75 million each. Another \$75 million was loaned from the Public Works Trust Fund. Both the \$20 million from the Reserve Fund and the \$125 million total from the Building and Safety Trust Fund have been repaid. The \$75 million owed to the Public Works Trust Fund is still outstanding and expected to be repaid through the receipt of FEMA reimbursements. To mitigate the need for additional loans, the 2021-22 Adopted Budget includes appropriations totaling \$40 million to meet ongoing COVID-19 response efforts; of which \$15 million is available in the CEF and \$25 million is in the Unappropriated Balance.

The purpose of the CEF is to provide a cash flow source for departments as they implement the City’s response activities as determined by the EOO, which is led by the Mayor. When established, the Mayor’s Office and CAO implemented an approval process for departments to request these funds. This process is as follows:

- City Departments, working with the policy liaisons in the Mayor’s Office, develop a funding request. Departments must complete a specific request form indicating the purpose of the expenditure, amount requested, estimated total cost of the initiative, and possible reimbursement sources.
- Requests are submitted to the CAO, with a copy to the Mayor’s Office, for analysis and recommendation on whether the request is in line with established expenditure criteria and response initiatives implemented by the EOO.
- The CAO then forwards recommendations to the Mayor’s Office for final decisions. If approved, funds are directly transferred to department accounts. If denied, departments can then work with the CAO to identify other funding alternatives.

To ensure funds are spent as equitably and efficiently as possible, the process also has internal controls in place and that the funds are being used for COVID-19 response activities that are eligible for FEMA reimbursement. We work collaboratively with the Mayor’s Office to track expenditures and evaluate that they are within the established monthly spending plans and overall estimated budget for the given activity. The spending plans and estimated budgets are monitored and adjusted as necessary based on actual expenditure rates and to accommodate specific, one-time demands.

Council has requested a more proactive decision-making role in the use of the CEF. This can be accomplished by Council approving the uses of the funds, similar to when it specified that \$25 million of the \$75 million Building and Safety loan be set aside for Senior Meals (C.F. 20-0530). We recommend that Council take a similar action when approving the transfer of the \$25 million from the UB as discussed below.

The Mayor’s Office provided the following spending priorities and estimated expenditures through December 2021 for the CEF. While we recommend that Council establish the spending priorities in accordance with the following, we do not recommend specific dollar limitations on the categories to allow for the ability to adjust based on actual expenditures versus estimates.

Response Priority	Total Amount
Testing	\$5.6 million
Vaccination	\$17 million
FEMA Reimbursement Support	\$10 million
Total	\$32.6 million

While the above totals less than the \$40 million provided in the Adopted Budget, there is a slight shortfall expected as \$10.5 million has already been transferred from the CEF to cover vaccination invoices for January and February 2021 to Carbon Health. As of this report, the CEF balance is \$3.8 million and if the UB transfer is approved, the available balance will be \$25.8 million, leaving a net need of \$3.8 million that will need to be identified if the above estimates hold true.

Additionally, this Office has identified a need to bring a consultant on board to assist with the reporting requirements of the American Rescue Plan Act (ARPA), State and Local Fiscal Recover

Funds. We have contracted with KPMG for this support and need \$1.2 million in funds for this contract. We have discussed this need with the Mayor's Office and recommend transferring those funds directly to the CAO from the set aside identified for the FEMA reimbursement support, which reduces the amount transferred to the CEF to \$23.8 million. We believe this action is feasible given the timeline of FEMA approvals that dictates the timing of any incentive payments to our contractor for FEMA Reimbursement Support. If additional funds are needed for this effort, we will request them through the Financial Status Report.

Our recommendation to transfer the funds from the UB to the CEF is crafted to indicate that the first priority of funds is for the above three priorities versus the specific dollar amounts identified. This allows for the use of the funds for these priorities and to the extent actuals in one area are higher or lower than estimated, they can be used to fund the other approved priorities. Any use of the funds for purposes other than the approved priorities would require Council approval.

To the extent departments submit requests for items like intensive cleaning, personal protective equipment (PPE), or other items previously funded by the CEF, these would be denied. However, these types of requests have been decreasing over the past few months, with the most consistent need being equipment rentals at vaccination and test sites for the Fire Department, the costs of which are encompassed by the above noted estimates.

Emergency Operations Organization (EOO)

The City's emergency response activities are governed by the Los Angeles Administrative Code (LAAC), Division 8, Chapter 3 as first adopted by Ordinance in 1980 and subsequent updates. This section created the EOO, which is the operational entity responsible for the City's emergency preparation, response and recovery operations. Additionally, an Emergency Operations Board (Board) was established to supervise, regulate, control and manage the affairs of the EOO, subject to the direction and approval of the Mayor. This Board consists of the heads of the 15 City departments most directly involved in emergency response and that staff the Emergency Operations Center during an activation. This includes both the CLA and the CAO.

The EOO is structured to ensure real time decision making to address emergencies given the real potential for loss of life and property. Making changes to the existing structure will require careful thought to ensure that Council's input is timely to the emerging situation without creating delays in the decision-making process. While the COVID-19 emergency has clearly lasted longer than anyone could have initially imagined, decisions on the City's response were primarily taken in the very first days and weeks of the emergency.

Initial areas of consideration include evaluating if the Board could have been used more extensively in the COVID-19 response process and to re-evaluate the role of the CLA in the Emergency Operations Center. This review would need to be done in concert with both the CLA and EMD. It would also be useful to consider the After-Action Report, a document issued after every major emergency response activation, as it could also highlight areas of improvement. We understand the EMD has hired a consultant to begin the development of this report

FISCAL IMPACT STATEMENT

Approval of the recommendation in this report will have no impact on the General Fund as it recommends transferring funds from the Unappropriated Balance to the COVID-19 Emergency Fund as budgeted.

FINANCIAL POLICIES STATEMENT

Approval of the recommendation in this report is in compliance with the City's Financial Policies as budgeted one-time funds are being used for one-time purposes.

MWS:PJH