July 21, 2020

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

APPROVAL OF THE CORONAVIRUS RELIEF FUND SPENDING PLAN
(ALL SUPERVISORIAL DISTRICTS) (3-VOTES)

SUBJECT

The Chief Executive Office (CEO) recommends approval of the spending plan for the Coronavirus Relief Funds (CRF) allocated to Los Angeles County from the Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling $1.220 billion in response to the public health emergency caused by the Coronavirus Disease 2019 (COVID-19). This spending plan supports the County’s efforts to: address the health and safety of County residents and the communities they live in; support small businesses negatively impacted by COVID-19; and supports local County government by enabling COVID-19 related services to be provided during the pandemic. Finally, the plan provides the necessary flexibility for administrative approval for the expenditure of these federal funds.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve the attached proposed spending plan (Plan) totaling $1.220 billion for COVID-19 related expenditures using federal revenues through direct and State allocations received under the CRF;

2. Delegate authority to the Chief Executive Officer, or her designee, to execute and, if necessary, to transfer allocated funds from the CARES Act Trust Fund to reimburse County departments for expenditures that meet the eligibility criteria issued by the United States Department of the Treasury (Treasury); and

3. Delegate authority to the Chief Executive Officer, or her designee, to execute and, if necessary, to adjust planned spending amongst categories and fiscal years, and to expend contingency funds for unforeseen qualifying expenses with prior notification to the Board to maximize the use of funds and
PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the Plan will enable the County to continue our response to the ever-evolving COVID-19 public health emergency on several fronts including: individual health, public health, food and housing insecurity, small business assistance, and County staff engaged in COVID-specific activities, as more fully described in the Spending Plan Overview Section and the Attachment. The requested delegated authority will authorize the transfer of funds out of the County’s CARES Act Trust fund and allocate funds to departments for uses approved under this Plan. Finally, the delegated authority will authorize CEO to make adjustments between Plan categories, and expend contingency funds as deemed necessary and appropriate for a sustained response to the COVID-19 pandemic.

Implementation of Strategic Plan Goals

The recommended actions support the County’s Strategic Plan Goal III – “Operational Effectiveness, Fiscal Responsibility, and Accountability” by providing resources to combat and prevent the spread of COVID-19 and cover related costs during this pandemic.

FISCAL IMPACT/FINANCING

The CRF allocation provides accessible funding to cover County expenditures related to the County’s COVID-19 response. Approval of this Plan will allow the County to be reimbursed for necessary expenditures that are related to the direct medical and public health response, such as testing, contact tracing, and medical sheltering, as well as secondary financial and economic impacts on individuals, families and small businesses. Although a broad range of uses is allowed for CRFs, revenue replacement is not one of them at this time. Specifically, current federal and State requirements prohibit the use of CRFs to reimburse local governments for shortfalls in local revenues.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security (CARES) Act into law – the third in a series of legislative packages approved by Congress in response to the COVID-19 pandemic. The CARES Act provided financial assistance and resources to assist various sectors including small businesses, workers, state and local governments, as well as other programs critical to the COVID-19 response. Key programs within the CARES Act include the Economic Impact Payments Program (direct financial relief to individuals and families in the form of stimulus checks); the Paycheck Protection Program (financial relief and incentives for businesses to assist with employee payroll costs); as well as the Community Development Block Grant Emergency Solutions Grants and the Rental Assistance Protections for Low-Income Americans programs (homeless prevention and affordable housing). The CRF was a separate component of the CARES Act and authorized funding for state and local governments.

The CRF is a critical tool designed to assist local and state governments, many of whom are experiencing increased costs related to the pandemic. The County received $1.057 billion in CRF from the Treasury, which has been placed into an interest-bearing trust account. Interest earnings will be added to a proposed Contingency Fund and made available for additional qualifying expenditures. Of note, the State of California received $15.321 billion in CRF from the Treasury, which it allocated through the approved Fiscal Year 2020-21 State Budget Act to counties and cities.
The State allocated $163.4 million of these funds to the County. Five California cities received a direct allocation of CRFs from the Treasury. All remaining California cities received direct allocations from the State with no city receiving less than $50,000.

The CARES Act provides that payments from the CRF may only be used to cover costs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to COVID-19;
2. Were not accounted for in a jurisdiction’s approved budget as it existed on March 27, 2020, the date of enactment of the CARES Act; and
3. Were incurred during the period that begins on March 1, 2020 and ends on December 30, 2020.

The Treasury provided guidance that the County is responsible for making determinations as to what expenditures are necessary due to the public health emergency with respect to COVID-19. The expenditures include, but are not limited to, payroll expenses for public safety, public health, health care, human services, and similar expenses for services substantially dedicated to mitigating or responding to the COVID-19 public health emergency.

The guidance provides a nuanced exception to the prohibition on covering expenditures, which were already covered in a previously approved budget. These costs may otherwise be eligible if the cost is incurred for a substantially different COVID related reason or function than the previously anticipated reason or function. As an example, this would include, but not be limited to, the costs of redeploying corrections facility staff to enable compliance with public health precautions through work such as enhanced sanitation or enforcement of social distancing measures.

In addition to the eligibility and reporting requirements by the Treasury, the State has mandated additional criteria that Counties must comply with including adherence to the State’s safer-at-home requirements (as modified), other requirements as directed in the Governor’s Executive Order N-33-20, any subsequent executive order or statute, and relevant Department of Public Health orders, directives, and guidance issued in response to the COVID-19 public health emergency.

In addition to these requirements, funds are also subject to the Single Audit Act (31 U.S.C 75011-7507) and the related provisions of the Uniform Guidance and the County must submit an attestation to Treasury certifying that all expenditures meet Treasury requirements.

Spending Plan Overview

The spending plan is categorically summarized below, outlined in the Attachment and includes expenditures made as part of the County’s initial response to the pandemic from March 1, 2020 through June 30, 2020 as well as proposed expenditures for July 1, 2020 through December 30, 2020. The Plan seeks to strike the right balance between supporting the public health of County residents while addressing the needs of some of the County’s most vulnerable populations, particularly communities of color, which data reveals have been disproportionately impacted. The unfolding pandemic is dynamic, and the County is being called upon to address a variety of needs – needs that exceed the $1.220 billion in available funding.

This plan first prioritizes individual and public health, as well as associated programs and services. The CEO intends to leverage other funding sources in a manner that enables the County to stretch the CRF as far as possible. Our office is mindful of the December 2020 use deadline imposed by the
Support of the Public Health of County Residents

The health impacts caused by COVID-19 are a matter of both individual and public health. Recent data has demonstrated that communities of color are disproportionately impacted by COVID-19. Expenditures in this category include support for the County’s efforts targeted at virus detection, contact tracing, and infection control (including inspection of business facilities, enforcement of Health Officer Orders, and a robust communication campaign around these efforts). In addition, expenditures will support a variety of sheltering types (medical sheltering for COVID-19 positive individuals, quarantine and isolation for COVID-19 suspected individuals, non-quarantine and isolation sheltering for COVID-19 vulnerable individuals, and sheltering/services for victims of domestic violence). The CEO will work with the Departments of Health Services, Public Health and other relevant departments to ensure that these resources are thoughtfully deployed to address the pandemic while using available data to prioritize the needs of those communities of color being disproportionately impacted by COVID-19.

Financial and Other Support for County Residents

For many County residents, COVID-19 has not only impacted their health but other aspects of their lives in material ways. According to the State Employment Development Department, the unemployment rate in the County skyrocketed to 20.6 percent - a level not seen since the Great Depression. This has deprived many residents of the ability to adequately sustain themselves and their families, creating or exacerbating food and housing insecurity. Others, unable to work remotely, must continue to physically report to work while facing difficult choices regarding child care. Many of these individuals find themselves in lower paying service-related jobs, which do not contribute to child care expenses. This plan supports food and nutrition, rent relief, landlord and tenant protections, and child care for essential workers whose child(ren) are unable to attend school due to school closures driven by COVID-19. The CEO will work with the Departments of Consumer and Business Affairs (DCBA), Public Health, Public Social Services, Workforce Development and Community Services (WDACS), and the Los Angeles County Development Authority (LACDA) to ensure an equitable distribution of these resources upon plan approval.

Support Small Businesses Impacted by COVID-19

Collectively, small businesses represent the economic engine of the County’s local economy. COVID-19 has caused both a national and local economic downturn. Regional estimates reflect that small businesses have suffered dramatic declines in business revenues causing some small businesses to lay off employees, dramatically reduce services or shut their doors temporarily or permanently. For those small businesses that can remain open, some struggle to modify their business operations and physical layout to comply with Health Officer Orders or potentially permissible use variances (e.g. outdoor dining). The spending plan seeks to allocate funding to support a mix of programs focused on small business grants to address COVID-19 impacts. The small business portion of the Plan spearheaded by LACDA with support from the DCBA and WDACS, will place strategic focus on those small businesses least able to absorb the economic impact of COVID-19 and those serving communities disproportionately impacted by COVID-19.

Support of County Staff Performing COVID-19 Related Functions and Services
Since the inception of the pandemic, the County workforce has continued to provide services – albeit with service delivery occurring in different ways. This has been due in part to the ability to telecommute with approximately 32 percent of the County’s workforce teleworking at some point in time. In addition, County employees have been serving as Disaster Services Workers (DSW) to perform COVID-19 related functions that they would not otherwise perform if not for the public health emergency. Also, County departments are performing functions to enable small businesses and schools to comply with Executive Orders issued by the Governor and the County’s own Health Officer Orders. The spending plan supports costs for County staff serving as DSWs and performing other essential COVID-19 related functions.

Contingency Planning for Surge Capacity or Other Currently Unknown Needs

The COVID-19 infection rates have been increasing over the last few weeks. On July 13, 2020, the Governor announced additional restrictions on businesses and other sectors of the community, in certain counties, which included the County. Our office believes it is prudent to set aside a portion of the CRF to respond to a deepening of the crisis requiring additional resources to support a surge in hospital capacity or to address other critical containment needs. If the need for this funding fails to materialize, then our office will submit additional recommendations to the Board for new or additional COVID-19 related uses, in sufficient time to allow expenditure of the funds by the December 30, 2020 deadline.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The uses proposed by the Plan are all specifically related to the County’s COVID-19 response and in that regard the services are new or modified to be specifically responsive to COVID-19 spending requirements. Timely expenditure of the CRF will depend in part on the County’s ability to quickly stand up delivery models and leverage existing infrastructure to deliver new COVID-19 related services (e.g. small business program). Service levels for certain pre-COVID-19 County services may be impacted where the staff normally providing those services have been redeployed as DSWs. It should be noted that as the pandemic continues to evolve, service levels may be further impacted by the need to deploy even more County staff to respond to COVID-19 and support some of the new programs and services contemplated by the Plan. We will continue to work with your offices to refine and implement the Plan to respond to the public health emergency caused by COVID-19, address the health and safety of County residents and the communities they live in, and support small businesses negatively impacted by COVID-19. We will also work with the departments as they implement the plan to ensure the funding allocation methodologies are supported by data that reveal the geographic areas with the highest needs related to COVID-19.
The Honorable Board of Supervisors
7/21/2020
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Respectfully submitted,

SACHI A. HAMAI
Chief Executive Officer

SAH:FAD:MM
MM:LF:AP:bjs

Enclosures

c: Executive Office, Board of Supervisors
   County Counsel
   Auditor-Controller
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<thead>
<tr>
<th>Recommended Expenditures</th>
<th>Est Cost</th>
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<td>Support of the Public Health of County Residents</td>
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<td>Financial and Other Support for County Residents</td>
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<tr>
<td>Support Small Businesses Impacted by COVID</td>
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<td>Support of County Staff Performing COVID Related Functions &amp; Services</td>
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<td><strong>Total Spending Plan</strong></td>
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COUNTY OF LOS ANGELES
CARES Act - Coronavirus Relief Fund (CRF)
Spending Plan
March 1, 2020 to December 30, 2020
($ in Thousands)