

Civil Grand Jury Urges Transparency as Cities Receive and Spend Millions in COVID Aid

Summary

The 2021-22 Riverside County Civil Grand Jury (Grand Jury) convened in July of 2021 with a commitment to fulfill the “watchdog” role ascribed to it by the California Penal Code §888-939.1¹

The Grand Jury fulfilled this obligation by investigating the receipt, accounting, safe-handling and planned expenditure of hundreds of millions of taxpayer dollars provided to the residents of Riverside County as a result of federal legislation in response to the COVID-19 (COVID) pandemic of 2020-2022.

For purposes of this report, the use of the term “COVID funds” means a combination of both the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and the American Rescue Plan Act (ARPA) funding.

The Grand Jury selected eight of the 28 Riverside County cities at random for in-person interviews to discuss the receipt, accounting, disbursement and transparency of the uses of COVID funds.

The eight cities were Lake Elsinore, Rancho Mirage, Indio, Jurupa Valley, Corona, San Jacinto, Calimesa and Riverside.

In addition, a survey was sent to the remaining 20 Riverside County cities asking for a summary of their receipt and disbursement of COVID funding.

In the fall of 2021 the Grand Jury traveled to each of the randomly selected cities and met with both city staff and elected officials, who had direct knowledge and responsibility for the management and distribution of COVID funds.

City officials were in various stages of establishing processes and safeguards for dealing with the receipt of COVID funds. Many officials called the funds an unanticipated “windfall” of millions of dollars of federal funding from taxpayers that could be used to help mitigate the impact of both the COVID pandemic and its economic effect on their cities.

In this report the Grand Jury submits recommendations, based on what, in the opinion of the Grand Jury, are believed to be best practices for the handling, distribution, and methods to provide transparency to residents of the use of COVID funds for their cities.

Background

Coronavirus Aid, Relief, and Economic Security Act - CARES Act

- Passed by Congress on March 27, 2020, this bill allotted \$2.2 trillion to provide fast and direct economic aid to the American people negatively impacted by the COVID-19 pandemic.

American Rescue Plan Act of 2021 - ARPA

- Also referred to as the COVID-19 Stimulus Package or American Rescue Plan, this bill was passed by Congress on March 11, 2021. The plan provides \$1.9 trillion to states, counties and cities (based on population) to speed the country’s recovery from the economic and health effect of the COVID-19 pandemic.

CARES Act

CARES Act funding was received by the cities in the spring of 2021 and had been used to support small businesses with grants to feed senior citizens, to help support restaurants, and to provide funding that directly benefitted individuals and businesses greatly impacted as the pandemic reached dangerous levels.

Riverside County Cities CARES Act Allocations²

Coronavirus Relief Funds			
Fiscal Year: 2020-2021			
Locations	Coronavirus Relief Funds	Locations	Coronavirus Relief Funds
Banning	\$384,304	La Quinta	\$502,034
Beaumont	\$635,569	Lake Elsinore	\$783,463
Blythe	\$237,744	Menifee	\$1,198,820
Calimesa	\$115,186	Moreno Valley	\$2,578,550
Canyon Lake	\$135,818	Murrieta	\$1,426,847
Cathedral City	\$661,559	Norco	\$340,336
Coachella	\$582,612	Palm Desert	\$654,225
Corona	\$2,077,380	Palm Springs	\$585,587
Desert Hot Springs	\$366,216	Perris	\$990,252
Eastvale	\$820,010	Rancho Mirage	\$236,003
Hemet	\$1,051,667	Riverside	\$27,991,888
Indian Wells	\$66,712	San Jacinto	\$630,049
Indio	\$1,120,515	Temecula	\$1,382,508
Jurupa Valley	\$1,322,168	Wildomar	\$459,103

Total CARES Act funding received the Riverside County Cities was \$49,337,125.

Total CARES Act funding received by Riverside County was \$56,203,389.

Total CARES Act funding received by the State of California was \$499,400,219.

ARPA

The first half of ARPA funding was received by most Riverside County cities on August 31, 2021. The second half of the funding is anticipated to arrive in the summer of 2022.

This list represents the entire amount of ARPA funding received and expected to be provided to Riverside County cities.

American Rescue Plan Act (ARPA) Allocations³

American Rescue Plan Act (ARPA) Allocations			
Locations	Allocations	Locations	Allocations
Banning	\$7,468,727	La Quinta	\$9,987,009
Beaumont	\$7,306,318	Lake Elsinore	\$14,967,198
Blythe	\$4,708,353	Menifee	\$13,213,674
Calimesa	\$2,191,267	Moreno Valley	\$48,481,233
Canyon Lake	\$2,698,416	Murrieta	\$16,463,101
Cathedral City	\$15,572,693	Norco	\$6,364,242
Coachella	\$10,942,698	Palm Desert	\$9,983,052
Corona	\$29,158,725	Palm Springs	\$10,820,822
Desert Hot Springs	\$6,908,231	Perris	\$22,171,505
Eastvale	\$7,360,219	Rancho Mirage	\$4,432,291
Hemet	\$21,674,344	Riverside	\$73,535,189
Indian Wells	\$1,308,540	San Jacinto	\$11,773,274
Indio	\$20,425,061	Temecula	\$14,079,507
Jurupa Valley	\$28,077,013	Wildomar	\$8,905,968

Total ARPA funding expected to be received by Riverside County cities is \$430,978,670.

Total ARPA funding expected to be received by Riverside County is \$479,874,599.

Total ARPA funding expected to be received by the State of California is \$1,218,261,277.

Prior to the distribution of the first half of the ARPA funding in May 2021 the U.S. Department of Treasury (Treasury) announced the launch of The Coronavirus State and Local Fiscal Recovery Funds (SLFRF), which was established by the ARPA.

“To support the immediate pandemic response, bring back jobs, and lay the groundwork for a strong and equitable recovery, ARPA established the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to deliver \$350 billion to state, local, territorial and Tribal governments to bolster their response to the COVID-19 emergency and its economic impacts. Treasury issued an Interim Final Rule on the use of the Funds on May 17, 2021. Under the Interim Rule, recipients may use the funds to:

- *Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff.*
- *Address negative economic impacts caused by the public health emergency, including economic harm to workers, households, small businesses, impacted industries, and the public sector.*
- *Replace lost public safety revenue, using the funding to provide government services to the extent of the reduction in revenue experienced during the pandemic.*
- *Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors.*
- *Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and storm water infrastructure, and to expand access to broadband internet.*

Funds may be used to cover eligible costs incurred between March 3, 2021 and December 2024. Funds must be obligated by December 2024 and expended by December 21, 2026.”⁴

Methodology

Grand Jury members traveled to each of the eight randomly selected cities (Lake Elsinore, Rancho Mirage, Indio, Jurupa Valley, Corona, San Jacinto, Calimesa and Riverside) between September and November of 2021 and met with city managers, finance directors and elected officials for in-depth interviews, which included discussions on the use of COVID funds.

At the conclusion of each meeting the Grand Jury requested copies of all documents regarding COVID funding and expenditures be sent to the Grand Jury.

2021-2022 Survey

In addition to the eight cities where in person interviews were conducted, the Grand Jury sent a survey to the remaining 20 Riverside County cities.

The survey questions, as to the receipt and planned allocation of COVID funds, are as follows:

1. How much in COVID funds has your city received? Include dates received, amounts and source.
2. What was the process used to determine how the COVID funds were to be spent?
3. Where are the unspent funds located?
4. Describe your city's internal control procedure to ensure funds are properly spent according to regulation guidelines.
5. What is your city's policy regarding auditing of these funds?
6. Include who will be performing the audit(s) and when they will be performed.

Generally, the survey results received by the Grand Jury mirrored the responses received during the in-person interviews.

Discussion

The receipt, proposed use, and eventual distribution of COVID funds was an evolving process in the fall of 2021.

In order to fulfill their “watchdog” responsibilities, the Grand Jury visited or contacted all Riverside County cities.

Generally, cities used CARES Act funding to work with local Chambers of Commerce and their Economic Development Departments to assist the small business community. In some cases, an individual or small group was designated by the city as a one-stop-shop where business and individuals could get assistance, either in person or on-line, to help them sort through the federal forms needed to avail themselves of services. Some cities used CARES Act funding to provide grants of \$5,000-\$10,000 to small businesses.

Cities visited in the fall of 2021 by the Grand Jury had only recently received the first distribution of ARPA money. Half of the city's designated funding was received on August 31, 2021. Currently the second half of the funding is anticipated to arrive in the summer of 2022.

Cities in Riverside County, like many of those across the country, were suddenly awash with millions of dollars, with Federal interim, often unclear, guidelines as to how those funds should or could be spent.

Many city managers and officials said the funding was an unanticipated “windfall” for their communities which in many cases amounted to millions of dollars.

Most cities were concerned about how they could spend this funding. The Federal governments interim guidelines (issued in May 2021) laid out some, but not all, use of SLFRF and invited feedback from local officials and other experts.

“We didn't want to do anything wrong and have to send the money back,” said one official.

This was a common situation not just in Riverside County, but across the country according to media reports:

States and cities slow to spend federal pandemic money

October 3, 2021

“As Congress considered a massive COVID-19 relief package earlier this year, hundreds of mayors from across the U.S. pleaded for immediate action on billions of dollars targeted to shore up their finances and revive their communities.

Now that they’ve received it, local officials are taking their time before actually spending the windfall.

As of this summer, a majority of large cities and states hadn’t spent a penny from the American Rescue Plan championed by Democrats and President Joe Biden, according to an Associated Press review of the first financial reports due under law. States had spent just 2.5% of their initial allotment while large cities had spent 8.5% according to the AP analysis.

Many state and local governments reported they were still working on plans for their share of the \$350 billion, which can be spent on a wide array of programs.

Though Biden signed the law in March, the Treasury Department didn’t release the money and spending guidelines until May.

Cities sometimes delayed decisions while soliciting suggestions from the public.⁵

During the fall of 2021 the lack of final rules from Treasury discouraged some cities from making firm decisions of how to allocate the funding as they awaited clarification regarding eligible uses.

As a result, while some Riverside County cities developed preliminary usage lists, held town hall meetings and provided direction to staff, others waited for a final determination from Treasury before moving forward.

Finally, in January 2022, Treasury released the final SLRFF rule “which will officially take effect on April 1, 2022. The final rule provides useful clarifications in some areas, and substantive expansions of eligible activities in others.”⁶

FINDINGS

F-1. In each of the eight cities visited, city managers, finance directors and other administrators were well aware of the receipt of COVID funds, and of the interim Federal guidelines.

F-2. By the fall of 2021 almost all of the CARES Act funding had been distributed. CARES Act funding received earlier in 2021 had been used for a variety of programs. The Grand Jury discovered that some cities were more innovative than others in using these funds, including

working with the local Chamber of Commerce to provide grants to small businesses and partnering with restaurants to provide meals for seniors.

F-3. Because of the pandemic, during 2021 and in early 2022 many city halls were closed to the public with limited staff inside and most employees working remotely from home. Most cities relied heavily on social media (i.e... city websites, Facebook, etc.) to inform businesses and residents of available COVID funds. As might be expected, larger or wealthier cities, appeared to be able to communicate better than small cities with limited staff.

F-4. Cities handled the receipt of what many officials called a “windfall” of taxpayer money in a variety of ways.

F-5. While awaiting final Federal guidelines, in most cities the ARPA funds were invested with the Local Agency Investment Fund (LAIF). This fund “offers local agencies the opportunity to participate in a major portfolio, which invests hundreds of millions of dollars, using the investment expertise of the State Treasurers Office investment staff at no additional cost to the taxpayer.”⁷

F-6. Some cities reported that they will be hiring an outside auditing agency to track the receipt and expenditure of COVID funds. Other cities reported that they will rely solely on their established internal control procedures to track the funds.

F-7. Each city in the County is unique, with its own concerns and priorities. One common need in most cities is to upgrade infrastructure (an allowable use of ARPA funds) which had been deferred since the economic collapse of 2008-2010.

F-8. In most of the visited cities, discussions were underway as to how to best spend the funds by the time of the Grand Jury visit. In some cities, discussions were being held informally at the city staff level. Other cities had either planned to schedule, or had held, informational city council workshops to allow public comment on how the money could best be used and to provide direction to city staff.

F-9. Ultimately, how a city’s ARPA funds will be spent, is a decision of the City Council in accordance with the Treasury guidelines that took effect on April 1, 2022.

RECOMMENDATIONS

These recommendations are based on what, in the opinion of the Grand Jury, were the best practices undertaken by some Riverside County cities.

R-1. With the relaxation of many COVID protocols across California, cities, special districts, school districts and other county agencies that receive funding, should schedule public workshops. This will allow further transparency and provide residents the opportunity to share their opinions and preferences on how ARPA funds should be used. Residents will learn the limitations and restrictions on how the funds may be used and provide staff and elected and appointed officials with public feedback. Minimal funding required. (F-2, F-3, F-8)

R-2. In the opinion of the Grand Jury, COVID funds received should be audited regularly by an outside agency, in addition to using internal controls, as a way to ensure accountability and transparency. Moderate funding required. (F-6)

R-3. To ensure transparency the amount of COVID-related funding received, and its proposed usage, should be posted prominently on all public agency's websites, Facebook pages and other social media sites. Residents should be able to easily track the amount of funding received, proposals on how the funds are to be used, contracts awarded for ARPA related projects, progress on ARPA funded projects and the impact of the funding on their community. Minimal funding required. (F-7, F-8)

R-4. To further ensure transparency press releases should be distributed to all relevant media detailing the receipt and distribution of all COVID related funds. Minimal funding required. (F-8, F-9)

R-5. Each city should hire or designate at least one individual to serve as a one-stop-shop for residents, small business owners, contractors, and other members of the business community. This individual(s) should provide guidance and recommendations to assist in determining availability of any Federal, State or Local funds. Moderate to high funding required. (F-3)

R-6. Future Grand Juries, and other responsible and investigating agencies, should closely monitor the use of COVID funding and subsequent Federal funding to ensure transparency and the proper expenditure of such funds. (F-2, F-4, F-8, F-9)

RESPONSES

While cities are not required to respond to this report of the 2021-22 Riverside County Civil Grand Jury, the Grand Jury invites and encourages all Riverside County cities to offer comments on the Findings and Recommendations of this report.

REFERENCES

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