

MEMORANDUM

Office of the City Manager



DATE: October 19, 2022

TO: Mayor and Council

THROUGH: Steve McHarris, City Manager *Steve McHarris*

FROM: Ashwini Kantak, Assistant City Manager *Ashwini Kantak*

SUBJECT: American Rescue Plan Act Funding - Milpitas Chamber of Commerce

This Information Memorandum provides information about the application for American Rescue Plan Act funding by the Milpitas Chamber of Commerce (Chamber).

Background

In March 2020, due to the rampant spread of the Coronavirus (Pandemic), a state of emergency was declared at the local, state, and federal levels and stay-at-home orders issued, which had an enormous impact on the local, state and national economy as well as the City's finances.

On March 11, 2021, President Biden signed into law the American Rescue Plan Act (ARPA), a \$1.9 trillion stimulus package, to counteract the economic impacts of the pandemic. The City received an ARPA allocation of \$16,736,815 which had to be either expended or encumbered by December 31, 2024, with all funds to be expended by December 31, 2026. On August 9 ([link to the agenda report](#)), Council approved funding for 25 programs in five Investment areas of **Community Services, Economic Vitality, Infrastructure, Public Safety, and Technology**.

In August 2021, the City Council initially approved \$200,000 in ARPA funding for the Chamber, under the Investment Area of Economic Vitality. This funding was intended to assist the Chamber in developing and implementing programs and events such as a Crab Feed, an Art and Wine Festival, Job Fairs, and Business Workshops, that would help small businesses and enable economic recovery in Milpitas. As staff continued to work with the Chamber, it became clear that additional resources were required to implement these programs and events. Thus, in March 2022, the City Council provided direction allowing funding to be used for staffing and program delivery and for the disbursement to be initiated in two tranches of \$100,000 each. The first tranche (Year 1) was to be disbursed upon execution of a grant agreement by and between the City and the Chamber. The second tranche (Year 2) was to be contingent upon a successful first year of ARPA funding to the Chamber. Since the grant award will exceed \$50,000, the Chamber is required to provide information regarding proposed objectives, outcomes, number of people served, etc. which will be outlined in the grant agreement.

On August 9, 2022, Council directed staff to pause the grant award process until the following deliverables are accomplished: 1) Financial reports for a 12-month period, 2) Work Plan for the Spring 2023 Art & Wine Festival, and 3) an explanation of how ARPA funds will be used overall to ensure the funds are utilized responsibly.

Status Update

Since late summer 2021, staff from Economic Development, Finance, and the City Manager's Office have been in communication with the Chamber and reviewed application supporting documents provided to date. The Chamber has submitted multiple, incomplete ARPA grant applications and staff

has had to follow up to request additional details on financial position, key performance metrics and deliverables, some of which are still pending.

On September 15, the Chamber provided information including a balance sheet for fiscal year 2021-2022, Profit and Loss statements for fiscal year 21-22 and July-August 2022, and bank statements for June-August 2022. The information provided showed a net loss of 28% in fiscal year 21-22 and did not demonstrate sound fiscal health in the current fiscal year. In response to follow up questions from staff the Chamber sent additional information on September 19. The email stated that the Chamber had experienced hardship collecting dues due to COVID and that the loss in fiscal year 21-22 spent 36% of fund reserves. For the current fiscal year, the Chamber noted that they had reduced overhead by maintaining only one staff person and that they were working towards increasing membership, in order to increase revenue. Additionally, in order to further reduce overhead and increase revenues, they have automated renewals and signup payments for events.

On October 3, the Chamber provided information through an email about upcoming Chamber programs and events, including the Spring 2023 Art and Wine Festival, as noted below:

1. **Business Engagement Events:** The email from the Chamber discussed having held successful events in the past and acknowledged the critical need for these events. However, the information did not include a specific workplan, timeline, or funding plan for the events, it simply noted that “mixers and business meetings are booked well into 2023 and that they would be well positioned to raise funds for these activities.”
2. **Art and Wine Festival:** The email noted the positive benefits of an Art and Wine festival and stated that a website has been designed and rules for vendors, businesses and performers have been developed. Costs for the event, which is planned for second quarter of 2023 on Main Street, are estimated to be between \$65,000-\$100,000. Although the email noted the next steps, which included permits, insurance, volunteer recruitment, procuring performers, and soliciting sponsorships, it did not provide specific information such as a detailed workplan, timeline and funding plan. A Special Events Permit has also not been submitted to the City.
3. **Job Fair:** The email noted that a Job Fair was held in April 2022. About 20 businesses participated and 143 job seekers attended the event. However, subsequent reports indicate that there was a significantly lower job seeker attendance. The Chamber noted that the next job fair would be held in February or March 2023 and that ARPA funding would help improve the Job Fair.
4. **Business Workshops:** The email provided information about the benefits of Business Workshops and noted that they plan to hold three workshops, at an estimated cost of about \$24,000. A plan for resources and funding was not provided.
5. **Other Events:** The email also provided information about other events such as the Crab Feed, Awards Banquet, Yelp Workshop and Monthly Mixers.

Conclusion

The financial documents provided by the Chamber do not demonstrate sound fiscal health. The documents related to programs and events articulate the benefits of the programs and events and provide some information about them. However, specific workplans and timelines, resources, and funding plans for key events have not been provided. Furthermore, although it is helpful to understand the plan for the Chamber to increase revenues and reduce expenditures, there is not enough information provided that indicates sound fiscal health. It is also unclear how reducing staffing will allow the Chamber to accomplish the planned programs and events to help local businesses and foster economic vitality.

For example, an Art and Wine festival typically requires a significant amount of advance planning and dedicated resources. As stated above, documents such as a detailed workplan with key milestones, a staffing plan with resources that have expertise in event planning, and marketing and funding plans, to clearly articulate how this Spring 2023 event will be implemented, have not been submitted.

Since the amount of ARPA funding is over the \$50,000 threshold and requires additional reporting and monitoring of the use of the funds by the United States Treasury department, staff recommends Council consider waiting until the Chamber is able to demonstrate sound fiscal health and provide detailed workplans and resource plans to demonstrate that the Chamber is able to deliver on outcomes that support the Council's priority area of Economic Vitality for ARPA funding.

Staff will bring this item back for Council consideration during the next quarterly ARPA update in December; however, this will likely not allow the Chamber adequate time to plan for the Spring Art and Wine Festival. If Council wishes to discuss this item earlier than December, direction may be provided by the full Council at a future City Council meeting.