OFFICE OF THE MAYOR
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 300 • HONOLULU, HAWAI'I 96813
PHONE: (808) 768-4141 • FAX: (808) 768-4242 • INTERNET: www.honolulu.gov

RICK BLANGIARDI
MAYOR

MICHAEL D. FORMBY
MANAGING DIRECTOR

KRISHNA F. JAYARAM
DEPUTY MANAGING DIRECTOR

April 4, 2022

'22APR 4 PM 3:20CITY CLERK

The Honorable Tommy Waters, Chair
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

Dear Chair Waters:

SUBJECT: Clarifying the State and Local Fiscal Recovery Funds (SLFRF) Committee and First Tranche of ARPA Monies

This responds to your March 23, 2022 letter referenced above.

As advised by Corporation Counsel, the Administration has proper and legal authority over the $193M State and Local Fiscal Recovery Fund ("SLFRF") monies received by the City and County of Honolulu ("City") on June 7, 2021 ("First Tranche"). Accordingly, we reject your legal arguments and your unilateral request to disband, repurpose or cease the critical work being performed to address public health needs, modernize government operations and, most recently, address business and community needs.

When this Administration came into office, we repeatedly heard directly from you regarding the anger and dissatisfaction you had with the Caldwell administration regarding their processing and handling of CARES Act funds. We knew the Honolulu City Council ("Council") had established a subcommittee to monitor CARES Act funds distribution and, in fact, Mike Formby, sat on that subcommittee for Councilmember Ann Kobayashi. As a result, very early on, we assured you and Council that our Administration would work collaboratively with Council. Consistent with that commitment, we asked Council to provide the Administration with priorities of Councilmembers for our consideration and information as we looked to stand up the ARPA SLFRF process. In response, Budget Chair Say provided the Administration with a "list of general priorities of council members." He also stated "[w]e look forward to a collaborative process and working together." See Council Com. 190 Budget, BUDGET COMMUNICATION NO. #14.

Our unwavering commitment to collaborate with Council in establishing a process that is U.S. Treasury compliant, flexible, equitable, efficient, and transparent in the distribution of ARPA SLFRF funds continues to this day. Our primary focus and goal has been to serve our residents, businesses and communities-in-need across O'ahu and, as we have said on many occasions, these are not our (Administration) funds or your (Council) funds, they are the people's funds.

We began by researching models used by other municipalities around the nation and decided that a flexible approach, the predominant model nationwide, would work best for O'ahu in light of all the other federal funding opportunities and the requirement to comply with U.S. Treasury guidelines.

> It's also clear that cities like Atlanta, Detroit, and New York City – where the Mayor and the City Council have fully appropriated all SLFR flex funds – are the exception, rather than the norm, among major cities. Very few cities have allocated all of their flexible funds, and as they move to allocate the remainder or start allocating in the first place, they can look to models established by Detroit, Baltimore, Macon and other cities to manage the funds.[1]

With the first tranche received on June 7, 2021 and a mandatory filing date of August 31, 2021 for the Initial Recovery Plan, the Administration established a working group that included staff designated by Council Chair's office, to review Administration and Council funding priorities for alignment with U.S. Treasury federal expenditure categories:

1. Public Health
2. Negative Economic Impacts
3. Services to Disproportionately Impacted Communities
4. Premium Pay
5. Water, sewer, and broadband infrastructure
6. Revenue Replacement
7. Administrative

The working group, after much discussion and deliberation, ultimately organized SLFRF funding opportunities into four large categories, informed by prior experience from CARES Act funding, Administration priorities, community needs and perspectives shared in City Council hearings, Council initiatives as communicated in the FY21 budget process and Councilmember priorities as set forth in Budget Communication No. 14. The Administration also included input from the O'ahu Resilience Strategy and community needs and recommendations identified

---

[1] Local Fiscal Relief: Emerging Models and Next Steps for an Inclusive Local Recovery, The New Localism, September 1, 2021, https://www.thenewlocalism.com/newsletter/local-fiscal-relief/

through the 2020 Select Committee on Economic Assistance and Revitalization Stakeholder Advisory Group (EAR-SAG) report. The four priority categories for the City's 2021 Initial Recovery Plan were:

1.	Provide community support and address economic impacts:	$110,000,000
2.	Support equitable economic recovery:	$156,252,141
3.	Modernize City operations:	$ 70,000,000
4.	Invest in critical island infrastructure:	$ 50,000,000

After meeting and discussing the process for considering individual projects and programs for the use of SLFRF funds, with a focus on ensuring alignment with federal expenditure categories, compliance with U.S. Treasury guidelines, meeting obligation and expenditure deadlines, eligibility and administrative requirements, compliance with Federal, State and City procurement codes and other applicable federal, state and City laws, an Exhibit "A" to the 2021 Initial Recovery Plan was prepared for the first tranche of funds.

While we acknowledge you expressed individual displeasure with the Administration's proposed deliberative process for the first tranche, at one point unilaterally declaring an "impasse," the administration was required to file the City's recovery plan with the U.S. Treasury by August 31, 2021 and, accordingly, we proceeded in the absence of a Council vote opposing our efforts. In fact, during the entirety of the FY22 Budget discussions, there was not one vote by the City Council challenging the Administration's authority over the first tranche or our proposed process for distributing ARPA SLFRF funds. There were questions, yes, to which we always responded. We also recall you specifically suggesting, on occasion, that Council might seek a supplemental budget to appropriate ARPA SLFRF funds from the first tranche, but that never happened and the Councilmembers we spoke with did not support a supplemental budget process after adoption of the FY22 budgets.

Subsequently, by Mayor's Message dated August 9, 2021, the Administration transmitted the City's proposed 2021 Initial Recovery Plan to Council for consideration and adoption via Resolution 21-244, fully disclosing the Administration "received the first tranche of ARPA funds under Ordinances 20-22 and 20-23" and the Administration would submit the U.S. Treasury required ARPA Recovery Plan to Council for approval each year before submission to the U.S. Treasury.

Regrettably, at the hearing on Resolution 21-244 seeking approval of the City's 2021 Initial Recovery Plan, your Committees on Executive Management and Housing and the Economy took no action. Up against a deadline of August 31, 2021, the City's 2021 Initial Recovery Plan, incorporating Council and Administration priorities in Exhibit "A", was filed and accepted by the U.S. Treasury and the Administration turned its attention to designing the process for vetting SLFRF projects and programs in accordance with the City's filed recovery plan. We also note that, at the time, the City and State were experiencing a surge of the Delta variant and the Administration needed to establish a flexible process for expediting the approval and expenditure of SLFRF funds for the purchase of test kits for the City's testing facility at the Daniel K. Inouye Airport, a testing facility open to all City residents.

Since filing the City's 2021 Initial Recovery Plan, the Administration has spent thousands of hours researching, implementing and executing a structured and deliberative SLFRF distribution process, which includes an SLFRF Awards Committee to ensure we are compliant with U.S. Treasury guidelines and are honoring the priorities of the Council, the Administration and O'ahu's residents, businesses and communities. We have also had numerous training sessions with City departments on the process by which they will execute and implement Council and Administration SLFRF priorities as set forth in Exhibit "A".

In addition, the administration set up a public dashboard and documents approvals and expenditures of SLFRF funds through the preparation of an end-of-month report which is submitted to Council and available to the public in accordance with Resolution 21-088. Further, in addition to briefing Council on the ARPA SLFRF process in August and October 2021 and January and March 2022, we have repeatedly requested opportunities to brief Council monthly so that all Councilmembers have the ability to ask questions, get updates, understand the process and request new or additional programs in a public forum.

On January 13, 2021, in response to an Administration offer inviting a Councilmember to join the SLFRF Awards Committee, you wrote:

> I want to extend a warm mahalo for inviting a Councilmember to participate in the State and Local Fiscal Recovery Funds (SLFRF) Awards Committee. On behalf of the Council, I'd like to designate Vice Chair Kia'āina as a member of the committee, as well as Council staff to assist the Vice Chair. Mahalo for your continued partnership as we work together to meet the needs of the people of Honolulu.

Since Vice Chair Kia'āina joined the SLFRF Awards Committee, the committee has benefitted from her input and the collaboration she and her staff bring to the process. Vice Chair Kia'āina is always rigorous in her examination, yet 100% professional in her discussions. We thank you for this designation and show of partnership between the Administration and Council.

Having approved and expended SLFRF funds to address public health emergencies, including test kits, Iso/Q facilities, security for morgue trailers, and having transitioned to modernizing government operations, including programs benefiting DPP, DIT, BFS Purchasing, DPR, and OER, all consistent with the priorities set forth in Exhibit "A", the Administration recently announced a shift to community needs including, but not limited to, a $10.5M business relief program and a $30M community needs program, including non-profits and other organizations disparately impacted by the COVID-19 pandemic.

It is at this point, 10 months after receiving the first tranche of SLFRF funds and establishing a compliant, deliberative process that includes an SLFRF Awards Committee of which the Vice Chair of the Council is a member, 10 months after ~$55M in relief has been

approved for program implementation and $16M has been expended and one month after announcing to the public that the City is transitioning to business and community relief, that you seek to shut down the City's process...for what purpose?

Once again, your demands are but the demands of one Councilmember, demands which will negatively impact beneficiaries of critical SLFRF programs assisting residents in other Council districts. You may never have been personally satisfied with how the Administration thoughtfully decided to execute and implement the first tranche of SLFRF funds, but the truth is you have allowed the Administration to proceed without a vote of Council in opposition.

Your late unilateral request to shut down the City's process implementing Council and Administration SLFRF priorities including, but not limited to, a $10.5M small business recovery program, a series of multimillion dollar agricultural grant programs, the Department of Parks and Recreation's support of Summer Fun, a pilot Park Ranger program, a program to revitalize community gardens and a $30M grant program for community assistance is simply unreasonable and contrary to the interests of the communities who will benefit from these programs.

The Administration and the City Council have a joint responsibility to act in strict compliance with Federal, State and City laws and in the best interests of our communities. Your request to claw-back first tranche SLFRF funds and obstruct a process that is delivering much-needed relief to the people of Honolulu is a non-starter.

If you wish to meet and discuss your concerns and offer constructive ideas on how the process might work better with Council, we are open to meeting. We have always been open to new ideas. We are not, however, the least bit interested in setting back our successful City process by 10 months or longer. This would only serve to harm the people of Honolulu.

Sincerely,

Rick Blangiardi
Mayor

Michael D. Formby
Managing Director