



Staff Reports

File #: 17-2022, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Steve Potter, City Manager

Prepared By: Anne Cardwell, Finance Director

TITLE:

American Rescue Plan Act (ARPA) Funds

RECOMMENDED ACTION:

- 1) Receive a presentation on ARPA and the proposed plan for the use of the \$15.12M in ARPA funds.
- 2) Adopt a resolution approving the list of American Rescue Plan Act (ARPA) funded projects to be included in the FY 2022/23 budget process and revenue and expenditure budget adjustments to the FY 2021/22 adopted budget, as documented in Budget Adjustment No. BE2203503.

DISCUSSION:

On March 11, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act (ARPA) of 2021 into law to address the COVID-19 pandemic and the corresponding economic crisis. The American Rescue Plan established the Coronavirus State and Local Fiscal Recovery Funds, which provides \$350 billion in emergency funding for eligible state, local, territorial, and Tribal governments.

The Coronavirus State and Local Fiscal Recovery Funds (herein referred to as “Local Recovery Funds”) are designed to bolster agencies’ responses to the COVID-19 pandemic and its economic impacts by supporting the immediate pandemic response, bringing back jobs, and laying the groundwork for a strong and equitable recovery.

These Local Recovery Funds provide direct and flexible funding to municipalities to meet local needs arising from the pandemic. The following pages describe the Local Recovery Funds guidelines and recommend an approach for the use of the funds.

ARPA Funding

The American Rescue Plan Act allocated a total of \$350 billion towards the Local Recovery Fund:

- State governments: \$195.3 billion
- Counties: \$61.5 billion
- Metropolitan Cities: \$61.5 billion
- Tribal governments: \$20 billion
- Non-entitlement Units of Local Government: \$19.5 billion

This funding was allocated to deliver the following objectives:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost public sector revenue to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

Direct payments are being issued to metropolitan cities in two tranches. The first payment is issued after the processing of the application and the second 12 months later. The City of Napa has already received the first half of ARPA funds of \$7.5M and anticipates receiving the second \$7.5M in June 2022.

Cities must submit an Interim Report regarding use of the funds, and then quarterly Project and Expenditure reports thereafter. Recipients may only use funds to cover costs incurred during the period beginning March 3, 2021 and ending December 31, 2024. Funds must be obligated by December 31, 2024 and expended by December 31, 2026.

The final rule released by the U.S Treasury Department in January 2022 provides a non-exclusive description of allowable expenditures. Generally, they are focused on supporting the public health response, addressing the negative economic impacts of the pandemic, and stimulating economic recovery.

Ineligible ARPA expenses include:

- Federal matching requirements
- Pensions
- Infrastructure not directly addressed in ARPA Rainy day funds and financial reserves
- Debt service
- Legal settlements or judgments
- Changes that reduce net tax revenue

The City Manager's allocation recommendations have been strategically crafted based on City Council priorities, community needs, and a City department COVID impacts needs assessment. On the latter, City departments prepared a list of projects, programs, and services negatively impacted due to COVID-19 from Department Heads. The final product was a list of 36+ projects and programs amounting to over \$19 million.

The City Manager refined this list down to available \$15.12M of recommended ARPA projects. These recommendations are based on the following allocation criteria and consistent with the National League of Cities recommended principles for allocation of these funds:

- Projects consistent with U.S. Treasury guidance on use of ARPA funds
- City Council and community member input on City priorities, especially those priorities identified at the recent City Council Priority Setting Workshop
- Prioritize one-time projects, since focusing funding on one-time projects limits the City's ongoing liabilities and increases the City's fiscal health

- Projects that are realistic for completion within the required timelines and based on staff capacity
- Allocate the funds for projects that will result in a return on investment and significant community impact and/or cross-departmental benefits for City operations

Attachment 1 is a summary of the proposed projects for the ARPA funds, organized by high level ARPA allowable uses. Further, it is recommended that for any excess ARPA funds that are not utilized as estimated in the attached will be directed to Storm Drain Infrastructure.

Community Recovery Bank

In addition to identifying critical City needs consistent with the guidance on ARPA funds, the City Manager is also recommending carving out a portion of the funds to be dedicated to a Community Recovery Bank. These funds would be utilized to support the community's recovery from COVID and some suggested areas for funding include:

- Eviction Prevention/Rental Assistance
- Housing Location and Barrier Removal
- Food Needs
- Child Care

In the attached summary, several suggested projects are notated as such, and staff is seeking direction from the Council on a process for identifying how to best allocate this portion of the ARPA funds.

Next Steps

While the majority of proposed projects for ARPA funding will be allocated as part of the FY 2022/23 budget process, staff is requesting that Council take action to fund two key items in the current fiscal year. Specifically, the request is for \$100,000 for COVID related employee costs, as well as \$500,000 for storm drain condition assessments.

COVID Employee Costs: With the recent uptick in COVID cases due to the Omicron variant, Human Resources has requested that \$100,000 of the \$300,000 requested for COVID contact tracing and testing costs be allocated in the current fiscal year to assist in covering those immediate costs that have already occurred.

Storm Drain Assessments: To effectively proceed with all the storm drain work envisioned with ARPA funds, Public Works needs to undertake storm drain condition assessments as soon as possible. The City's storm drain infrastructure is aging, and work is required to continue the efforts to document the condition of the system components to identify necessary repairs and effectively manage and maintain the system into the future. Condition assessment work for the storm drain system began in 2020 and consists of video documentation from inside the pipes and visual inspections of all exposed system components including manholes, inlets, and outfall structures. The work has been phased due to funding constraints. The continuation of the system inspections is critical to identify deficiencies to be able to develop plans to address damage prior to costly system failures.

Over the last 2 years, over 16 miles of storm drainpipe and 750 manholes/catch basins and inlets

were inspected, with condition ratings assigned to each inspected segment. The results of the assessment determined 22% of the pipe segments inspected had poor condition ratings indicating major defects, blockages, and/or pipe wall failures. Another 26% had structural defects, obstructions and/or deposition. The results are being used to develop prioritized projects to clear obstructions, rehabilitate and replace the storm drain infrastructure.

The \$500,000 proposed funding under ARPA will be utilized to continue the storm drain inspections and will be targeted to areas with reported drainage system problems and in areas with older existing infrastructure. This ARPA funding is expected to complete inspections for an additional 10% of the City's storm drain system. This funding is being requested prior to the start of Fiscal Year 2022/23 to be able to begin these additional inspections this spring. This will allow Public Works to advance the prioritization of storm drain repair and replacement projects that are proposed to be funded through additional ARPA funding.

FINANCIAL IMPACTS:

The allocation of the \$15.12M will occur as part of the FY 2022/23 budget process and will be captured in the budget document, with the exception of the \$600,000 for COVID related employee costs (\$100k) and storm drain inspections (\$500k) being requested in the current fiscal year.

For FY 2021/22, the expenditure budget in the new American Rescue Plan Act fund will be increased by \$600,000. Additionally, the revenue budget of the CIP fund will be increased by \$500,000 to reflect the transfer in for the storm drain assessment project, which will be brought to Council separately for a contract amended and budget approval.

CEQA:

The Finance Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060 (c).

DOCUMENTS ATTACHED:

ATCH 1 - Resolution

EX A - Summary of Recommended ARPA Funded Projects

EX B - Budget Adjustment No. BE2203503

NOTIFICATION:

None.