



# **City of Grand Island**

**Tuesday, January 24, 2023**

**Council Session**

## **Item C-1**

### **Presentation and Discussion Regarding Allocation ARPA Funds**

**Staff Contact: Patrick Brown**

# **Council Agenda Memo**

**From:** Patrick Brown, Finance Director

**Meeting:** January 24, 2023

**Subject:** American Rescue Plan Act Funds

**Presenter(s):** Patrick Brown, Finance Director  
Laura D. McAloon, City Attorney

## **Presentation**

In response to the COVID-19 pandemic, the United States Congress adopted the American Rescue Plan Act (ARPA) and established the Coronavirus State and Local Fiscal Recovery Fund (SLFRF). The City of Grand Island (City) has now received its second tranche of ARPA funding in the amount of \$4.5 million. Together with the remaining funds from the first tranche of funding, the City has approximately \$5.5 million available for allocation to eligible projects.

Initially, the use of SLFRF funding by local governments was limited to public health response costs; government infrastructure funding for water, sewer or broadband services; government employee retention and replacement; and replacement of lost governmental revenue. On April 1, 2022, the Final Rule<sup>i</sup> establishing spending parameters and compliance became effective and the potential uses of SLFRF funds were expanded to include programs and projects that address the negative economic impacts of the COVID-19 pandemic on local businesses, especially small businesses and the travel and tourism industry. In addition, SLFRF funds can be used for equity-focused services to address the compounded negative economic impact of the pandemic on disadvantaged communities and families.

### **ARPA Overview**

ARPA established four broad areas of spending that are statutorily authorized uses of ARPA funds, including SLFRF funds to address economic impacts, compensate essential workers for the increased health risks in their work, maintain government services, and make investments in public infrastructure to protect public health.

The Treasury Department's Final Rule further defines and clarifies how recipients can utilize SLFRF funds to meet the statutory goals of ARPA. The Final Rule provides significant flexibility in the use of SLFRF funds to meet local needs, provided the use falls within one of the four categories below:

1. Replace lost public sector funding in order to provide government services, limited to the amount of revenue actually lost due to the pandemic;
2. Respond to the far-reaching public health and negative economic impacts of the pandemic, by supporting the health of communities and by helping households, small businesses, impacted industries such as tourism and travel, nonprofits, and the public sector recover from economic impacts;
3. Provide premium pay for essential workers, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors such as health care; and
4. Invest in water, sewer and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet.

Under the Treasury Department's Final Rule, cities that received less than \$10,000,000 in ARPA funds could file under "losses due to the pandemic for general governmental services" which makes reporting fund usage less burdensome (option 1 above). The City has elected to do just that. ARPA funding must be allocated to an eligible project(s) no later than December 31, 2024 and disbursement by December 31, 2026. If not allocated by the deadline, then the City will be required to return unallocated SLFRF funds to the federal government. The City's goal is to fully maximize and utilize all of its SLFRF funding.

The Administration realizes there are multiple possible uses of the funding, which have merit. We've explored the potential of funding additional City infrastructure projects and we have explored with community stakeholders the potential funding of community-based projects. Ultimately, the Administration has come to the conclusion that the SLFRF funds should be used to satisfy the Council's commitment to provide infrastructure funding to the Conestoga Marketplace redevelopment project. This recommendation is based on the following:

1. The \$5,500,000 investment in the Conestoga Marketplace redevelopment would qualify for an ARPA funding expenditure. The \$5.5 million, as agreed to in the redevelopment agreement, would be spent on infrastructure of the mall property, including but not limited to water, sewer, electric, and road construction.
2. If we use General Fund cash reserves to pay for the Conestoga Marketplace investment, then we would need to find another project or projects to spend SLFRF funds. In essence, the General Fund reserves would decrease by the \$5.5 million investment in Conestoga Marketplace and \$5.5 million for the SLFRF project totaling an \$11 million reduction in General Fund cash reserves. By using SLFRF funds for the Conestoga Marketplace project, City Council now has the option of using or not use cash reserves for another project.

The General Fund does have significant cash reserves which makes the two options listed above viable. However due to the high cost of inflation, interest rate hikes, and supply line issues, it might be in the best interest of the City to hold on to those cash reserves and spend those reserves on projects in the future when costs start easing.

The Administration seeks input from the Council regarding its recommendation on the proposed use of SLFRF funding.

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<sup>i</sup> The Final Rule was issued by the United States Department of Treasury and can be found in the Federal Register, 87 Fed. Reg. No. 18, published January 27, 2022.