



MEMORANDUM

DATE: March 21, 2022
TO: Honorable Mayor and City Councilmembers
Dave Perrault, City Administrator
FROM: Gayle Bauman, Finance Director
SUBJECT: Discussion on American Rescue Plan Act (ARPA) Funds

Budgeted Amount:	Actual Amount:	Funding Source:
N/A	N/A	N/A

Council Should Consider

Council should consider discussing their priorities regarding the American Rescue Plan funds. The current amount allocated to Arden Hills is \$1,123,530. 50% was received in 2021, with the remaining funds coming in 2022.

Background

The \$1.9 trillion American Rescue Plan (ARP) infuses \$350 billion into local governments, easing the immediate financial trauma facing most every community across the country, and providing options to overcome shortfalls and simultaneously rebuild for a stronger, more sustainable future.

Eligible uses of the funds include

- 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 harms to workers, households, small businesses, impacted industries, and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to 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; and,

- 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 access to broadband internet.

One-time funds

These funds should be directed toward one-time priorities and not programs or policies that will continue to need funding into the future. With the temporary nature of ARPA funds:

- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
- Investment in critical infrastructure is particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.

Timeline

- Cost must be incurred beginning on or after March 3, 2021 (with the exception of premium pay);
- Costs must be incurred or obligated (orders placed for property and services, contracts and sub-awards made, and similar transactions that require payment) by December 31, 2024;
- End of performance period is December 31, 2026 (allows for projects obligated at December 31, 2024 to be completed).

Discussion

Mayor Grant, Councilmember Holden and Finance Director Bauman met in July 2021, to start developing a list of items that meet the eligibility requirements and bring the greatest benefit to the City. The discussion centered on utility projects (Sewer Lining, Storm Water and Water Meters) and other capital projects (Streets and Parks), trying to focus on items not currently included in the CIP (i.e., dog park shelter). Investment in critical infrastructure is a particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long-term assets that provide benefits over many years.

List being developed for use of funds

Sewer lining – approximately \$200,000
 Storm water projects – multiple projects will be needed in the coming years.
 Water meter replacement – estimated cost of at least \$1,200,000
 Dog park shelter
 Street improvement projects
 Cable upgrades

Based on an article published in the Star Tribune on 03/13/2022, an informal survey of four dozen Twin Cities suburbs shows that many are using ARPA funds on sewer and water infrastructure projects, fire department updates, community and sport center projects, and technology and software needs. One city noted that using ARPA funds on water and sewer projects means the city won't have to bond for future improvements and can keep utility costs down – which affects all property owners. Another city noted that the council wanted to focus on project that would not have been able to be done but for the ARPA funds.

Staff is looking for preliminary direction on how Council would like us to prioritize spending the funds. Following preliminary direction from the City Council, Staff will bring back a formalized plan for Council to consider and approve.

Attachments

- A. Star Tribune article 03/13/2022