



More than \$500 million in American Rescue Plan Act (ARPA) funds will go to Minnesota cities this year, on top of \$510 million in 2021 — a federal windfall that suburban officials predict they'll never see again.

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 sports center projects, and technology and software needs.

"This is the first time that I've experienced this kind of level of federal financial aid to cities," said Edina City Manager Scott Neal. "This is an incredible opportunity and I think we have to be careful with it."

ARPA funds can be used to mitigate the public health costs and economic hit of COVID, boost pay for essential workers and replenish revenue lost as a result of COVID, said Lisa Sova, assistant director of finance for the League of Minnesota Cities. But they can also cover costs for infrastructure such as water, sewer and broadband, "It's a great way to address those infrastructure issues that every city struggles with," she said.

The funds can't be used to replenish reserve funds, pay down debt, create a rainy day fund, bolster pensions or pay for court judgments or settlements. And ARPA money isn't like the federal money distributed in 2020 under the CARES (Coronavirus Aid, Relief, and Economic Security) Act to combat COVID-related expenses, which had to be spent quickly, Sova said.

"The American Rescue Plan Act funding feels very different. It's more of a deliberate, thoughtful type of funding looking to address the long-term impacts that cities have felt as a result of the COVID-19 pandemic," Sova said.

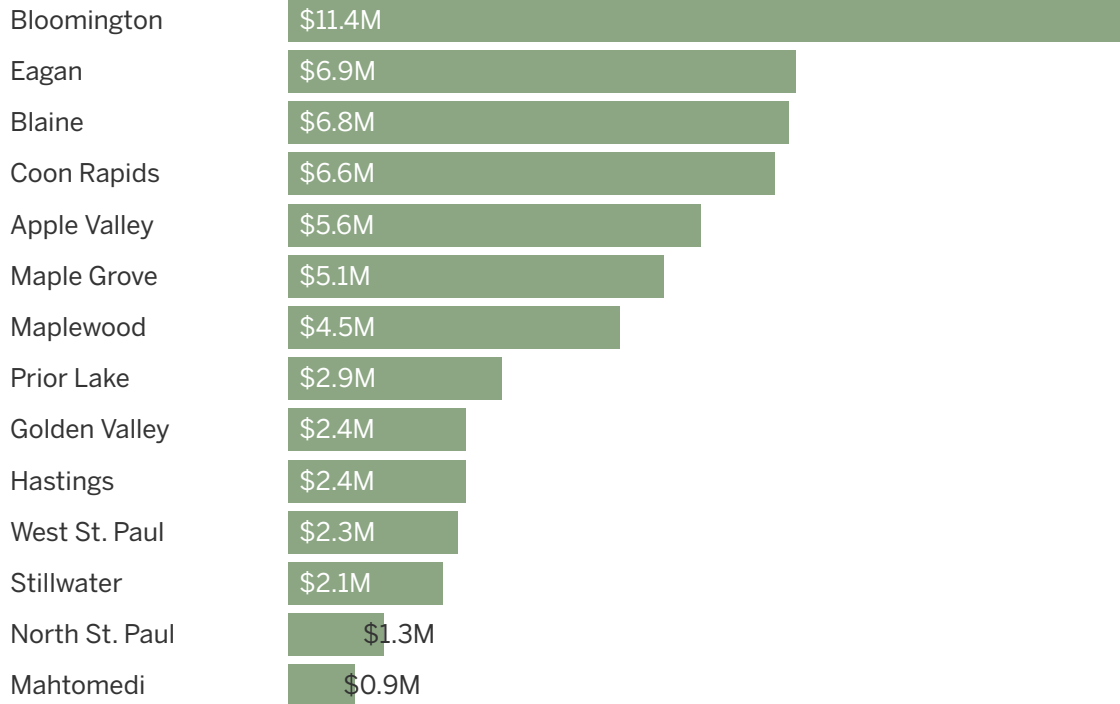
East Bethel, South St. Paul and Cottage Grove — which will receive \$1.2 million, \$2.2 million and \$3.9 million from ARPA, respectively — plan to fund sewer and water infrastructure projects. Lakeville, which will receive \$5.3 million, will put money toward a new fire truck, and Little Canada, with \$1.1 million, anticipates doing the same.

To a lesser extent, cities have spent money — or plan to spend it — on broadband, public safety, road projects and park improvements.

And a handful of cities haven't spent any of their ARPA money because it carries a longer shelf life than CARES funds. They're waiting to use the funds after learning they have until Dec. 31, 2024, to do so, and even longer — until Dec. 31, 2026 — if it's committed to a specific project.

Metro cities receive millions in ARPA funding

These cities in the Twin Cities metro area received millions through the American Rescue Plan Act of 2021 (ARPA), also referred to as the COVID-19 Stimulus Package or American Rescue Plan.



Jim Foster, Star Tribune • Source: Data collected by the Star Tribune

Cities can use their ARPA funds to replace lost revenue of up to \$10 million and spend it on public services like road projects, water, sewer, health services, administration, police and fire and environmental remediation.

Savage officials hired a temporary staffer for \$20,000 to survey residents on how to spend the city's ARPA funds of \$3.53 million, City Administrator Brad Larson said. The staffer attended community events and met with businesses and community groups, even setting up shop at a grocery store, and will now write guidelines for programs created by the funding.

Larson said the City Council last week approved allocating the money for mental health support, affordable housing programs, a park irrigation project, small business assistance and expanding the local library's front meeting room.

"One of the key messages we heard from the [city] council was that they want to focus on projects that we would not been able to have done but for the ARPA funds," he said.

St. Louis Park so far has used little of its \$2.57 million ARPA allocation, only recently spending \$5,600 on masks and \$76,000 on gift cards to local restaurants as vaccination incentives. City officials are hosting planning sessions to figure out how to spend the rest, City Manager Kim Keller said, whether on nonprofit proposals, infrastructure projects or keeping down future levy increases.

"There's a piece of wanting to hold back a little bit to better understand what other dollars are flowing, so that we can best fill those gaps for the community," Keller said. While CARES Act dollars went out immediately for rent and food assistance and to cover revenue losses, she said, "With these dollars, we're wanting to dedicate to more kind of chronic issues."

Stillwater will have \$2.1 million in ARPA funds with this year's allocation, but nothing has been spent. City Council Member David Junker said that the spending question has come up at several council meetings but that there's no plan yet. City leaders want to keep their options open and know that they have until the end of 2024 to decide.

"We're not really throwing anything on the table," he said.

Keeping the water running

Some cities have taken a practical approach to spending. Fridley used its first ARPA allocation, \$1.52 million, to upgrade and repair its water distribution system and wastewater and storm water infrastructure, said Public Works Director Jim Kosluchar. Over the next three years, Fridley hopes to use the next allocation of \$1.52 million to improve security at water treatment plants, rebuild its water distribution system, and on sanitary sewer and water quality projects.

"It's not glorious, but we want to keep things running smoothly," Kosluchar said, noting that some city utility lines are approaching 70 years old. Using ARPA funding means the city won't have to bond for future improvements and can keep utility costs down, he said. "Everybody will save something."

In Eagan, "lost revenue has really been the key component" in deciding how to spend the city's ARPA funds, said Finance Director Josh Feldman.

Eagan so far has earmarked about \$4 million of its \$6.9 million ARPA funds for specific purposes, including \$1.4 million to replace lost revenue from recreational assets like Cascade Bay water park, the civic arena and the community center. City officials plan to spend about \$100,000 on a new well at Blackhawk Park and more than \$800,000 on an improved HVAC system at the community center.

Edina officials got creative, according to Neal. While 70% of CARES Act funds were spent on internal costs and budget shortfalls, city leaders wanted to spend most of its \$5 million in ARPA funding out in the community.

The city allocated \$400,000 to a school district program, the Edina Education Fund's Heal Together Campaign, and a new program to plant 100,000 trees. Edina also worked with Comcast to extend low-cost broadband service to senior citizens on limited incomes, a program that registered about 150 households.

"We tried to get this money into the hands of people who needed it, whether into the hands of mental health professions or VEAP [Veterans' Educational Assistance Program] so they could do more food assistance," Neal said.

Neal acknowledged that Edina had the ability to spend ARPA funds in the community because city finances have remained healthy. City staffers will solicit more ideas from residents on how to spend the \$2.46 million ARPA allocation they expect this spring, he said.

Staff writers Tim Harlow, Matt McKinney and Shannon Prather contributed to this report.
