



MEMORANDUM

DATE: April 18, 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. On March 21, 2022, this was discussed with Council at the work session. The conversation centered on water, sewer and storm water projects. Using ARPA funds on utility projects means the city won't have to bond for future improvements and can keep utility costs down, which impacts all property owners. 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.

The City Administrator, Public Works Director and Finance Director met to discuss the different utility funds and possible projects.

Sewer Fund – COVID had the biggest impact on the Sewer Fund in 2020, with a loss in revenue in excess of \$150,000. An annually scheduled transfer out of the fund was reduced by \$63,000 to help offset the loss of revenue. Staff would propose to use up to \$200,000 of the ARPA funds on a sewer project depending on need.

Storm Water Fund – COVID did not impact revenue for this fund. Also, the Public Works Director indicated that there are multiple grant opportunities related to Storm Water projects and would opt not to use the ARPA funds for these projects but direct the balance toward water meter replacement.

Water Fund – The majority of the meters throughout the City are at least 20 years old with some possibly being 30 years old. Replacing meters city-wide is a huge undertaking and will put a significant strain on the Water Fund. Also, the City has already been informed that our cost for water will be increasing significantly over the next few years due to the new water treatment plant being constructed by SPRWS. Staff would recommend allocating ARPA funds toward water meter replacement.

Recommendation from staff on use of ARPA funds:

- Priority 1: Water meter replacement project \$923,530 - \$1,123,530 (dependent on Sewer)
- Priority 2: Sewer project (lining or lift station) \$0 - \$200,000

If funding for some part of the sewer project is acquired from another source or if during 2023 budget preparation it is determined that the Sewer Fund can manage without these funds, it is proposed to adjust the amount allocated to the water meter project.

Staff is looking for direction from Council on this spending recommendation. If Council is in agreement with this recommendation, staff will proceed with these projects and start the applicable planning processes.

Attachments

N/A