



MEMORANDUM

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**DATE:** April 25, 2022  
**TO:** Honorable Mayor and City Councilmembers  
Dave Perrault, City Administrator  
**FROM:** Gayle Bauman, Finance Director  
**SUBJECT:** Affirm Allocation of ARPA Revenues for Water Infrastructure on the 2021 PMP Street and Utility Improvement Project

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

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**Council Should Consider**

Motion(s) to approve, table or deny the following:

- Resolution 2022-028 Affirming Allocation of American Rescue Plan Act Revenues for water infrastructure on the 2021 PMP Street and Utility Improvement Project.

*All items need a simple majority for action unless otherwise noted.*

**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. On April 18, 2022, this was discussed with Council at the work session. Direction was given to staff to develop a list of water and sewer projects that met the eligibility requirements of the act and could be completed prior to December 31, 2024. 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.

### **Budget Impact**

Using these funds on water and sewer infrastructure will help alleviate the need for future bonding and help keep utility costs down for all property owners.

### **Attachments**

A: Resolution 2022-028