



# Folsom City Council Staff Report

<b>MEETING DATE:</b>	8/24/2021
<b>AGENDA SECTION:</b>	New Business
<b>SUBJECT:</b>	Consideration of Expenditure of Funds from the American Rescue Plan Act and Direction to Staff
<b>FROM:</b>	Finance Department

## **RECOMMENDATION / CITY COUNCIL ACTION**

Staff respectfully recommends that the Council direct the Finance Director to appropriate \$4,187,823 of available American Rescue Plan Act (ARPA) funds in the FY 2021/22 budget for the provision of government services, with the intent to appropriate an additional \$2,093,911 in FY 2022/23 and \$2,093,911 in FY 2023/24 during the regular budget process for the provision of government services.

## **BACKGROUND / ISSUE**

The American Rescue Plan Act was signed into law on March 11, 2021. ARPA established the Coronavirus State and Local Fiscal Recovery Fund. The funds are intended to provide support to state, local, and tribal governments in responding to the impact of COVID-19 on their communities, residents, and businesses and in their efforts to contain COVID-19.

The City of Folsom's total allocation from the ARPA Coronavirus State and Local Recovery Fund is \$8,375,645.

## **POLICY / RULE**

Per sections 602(c)(1) and 603(c)(1) of the ARPA, funds may be used:

- a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or to aid impacted industries such as tourism, travel, and hospitality.
- b) To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

### **ANALYSIS**

Within the eligible use categories stated above and outlined in the Fiscal Recovery Funds provisions of ARPA, state, local, and tribal governments have the flexibility to determine how best to use payments from the Fiscal Recovery Funds to meet the needs of their communities and populations.

To provide the most flexibility for use of the allocation, staff recommends appropriating funds under the allowable use category of Provision of Government Services. To qualify to use this category, the City is required to perform a detailed calculation to determine the total reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.

After performing this calculation, it has been determined that the City’s total reduction in revenue exceeds the total ARPA allocation to the City of \$8,375,645 and therefore the entire allocation could be used within this allowable category.

This category allows recipients facing budget shortfalls to use payments to avoid cuts to government services, allowing the City to make up the difference from where revenue trends might have been pre-COVID-19 and where they are now. If it is the Council’s desire to use this category for the expenditure of the ARPA funds, the City would have considerable flexibility on what government services will be provided or enhanced with the funding. This would allow for the extensive list of city needs that had to be passed up in the most recent budget cycle to be reconsidered, along with many new, one-time projects in the future.

One notable restriction on the use of funds under the provision of government services category is it cannot be used to replenish reserves. The intention is that these funds be spent on current government services.

### **FINANCIAL IMPACT**

As of July 31, 2021, the City has received \$4,187,823 of the total \$8,375,645 allocation. The funding already received is available for appropriation and, at the amount approved by the

Council, would be added to the FY 2021-22 operating budget in the General Fund and designated for certain government services. Two additional appropriations in the amount of \$2,093,911 each would be allocated to the FY 2022-23 and FY 2023-24 operating budgets in the General Fund.

The entire \$8,375,645 allocation must be obligated by December 31, 2024, and fully spent by December 31, 2026.

Submitted,

---

Stacey Tamagni, Finance Director/CFO  
Office of Management and Budget

This page is intentionally left blank.