

Lake Worth Beach, FL

# Review of Federal Interim Final Rule for Coronavirus State and Local Fiscal Recovery Fund

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# Overview

- The City of Lake Worth Beach (the “City”) is slated to receive approximately \$16 million in federal funds tied to the American Recovery Plan (“ARP”).
  - ½ of funds will be delivered by the State of Florida over the next few weeks.
  - Remainder to be delivered 12 months later.
- This new funding comes on the heels of CARES Act resources and other federal measures to mitigate the impact of the COVID-19 pandemic.
- Additional funding may be coming from legislation now under consideration in Congress for such programs as physical and human infrastructure. The timing and amount of funding available to the City, if any, is uncertain.
- These “windfall” funding programs present a unique set of opportunities for the City to invest transformatively in the health and well-being of residents in a variety of ways.



# Goals and Objectives

- Davenport & Company, as municipal advisor to the City, along with Faegre Drinker, have been tasked with providing to the City Commission the information, strategy, and a roadmap that the Commission might follow as it considers the best approach to spending these “windfall” resources.
- Our goal is to provide you with the tools and information that you may utilize to help you make decisions about resource allocation that meet your identified policy priorities, while ensuring the long-term viability and fiscal strength of the City.
- One way to start this decision-making process is to make sure that the City has the right financial structure in place to promote best practices and fiscal priorities consistent with sustainable financial health.
  - This begins with proactive revisions to the City’s Financial Policies.
- Tonight’s presentation marks an opening conversation of what is hoped will be an ongoing dialogue amongst you as Commissioners, with decision support from City Staff, Davenport, and Faegre Drinker.



# Financial Policies

- Financial policies are a critical underpinning of any financially resilient and highly rated local government.
- The City's existing policies are open-ended and provide limited structure and discipline.
- Recommendations for updated policies include a holistic focus on the City as a whole, transparency, and financial best practices.
- The goal is to have new policies in place ahead of the adoption of the fiscal year 2022 budget.



# Recommended Policy Enhancements

- Specific recommended policy enhancements include those surrounding:
  - Fund Balance
    - Specific minimum unassigned level with replenishment mechanism
    - Budget Stabilization
    - Capital Reserve
  - Use of one-time funding
  - Strategic use of governmental windfalls/surpluses
  - Specific debt policies
    - Appropriate levels of debt
    - Use of debt
    - Refinancing/restructuring



# ARP Planning Principles



ARP recipients have until **2024** to allocate funds and they have until **2026** to spend them. There is time to be strategic.

This is not CARES Act 2.0; the stage of the pandemic, the status of the economy and the program rules are all different



Recipients should compare spending alternatives in terms of return on investment (**ROI**).

Some are likely more valuable and strategic than others (e.g., replacing a sewer line versus investing in automated meter reading technology).



**Set goals and measure outcomes** to see if spending is achieving desired objectives.

Examples include % reduction of homes served by lead water lines; % reduction of homes without high-speed internet.





# Four Categories of Assistance

**Responding to  
the public health  
emergency or its  
negative  
economic  
impacts**

**Providing  
premium pay to  
essential workers  
(public or private  
sector)**

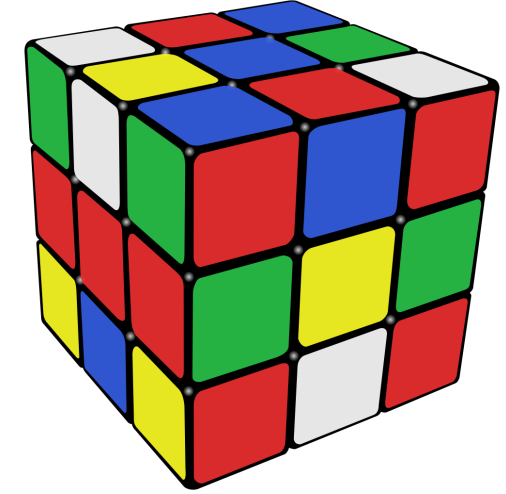
**Providing  
revenue  
replacement to  
the unit of  
government (with  
limits)**

**Making  
investments in  
water, sewer or  
broadband  
infrastructure**



# Determining Which Funds to Use

- There is no minimum or maximum allocation a community can make of funds between spending categories
- Some uses are allowable under multiple categories
- Strategic considerations are relevant not only for which projects to support, but also how best to deploy the funds to accomplish the goals—deploying the most restrictive dollars possible to address the targeted issues allows for the preservation of more flexible dollars for other priorities



**For maximum impact of ARP funds, a community should consider the sources and uses of capital at its disposal to piece together a funding solution that allows for the greatest flexibility possible**





# Key Elements of Federal Guidance



- Focus on those most impacted—especially historically disadvantaged
- Must have a connection to COVID-19—issue caused or exacerbated by COVID-19
- Reports on spending are required as a means of promoting accountability and transparency



# Promoting Equity in Lake Worth Beach

- The US Department of Treasury is placing an emphasis on, “promot[ing] and streamlin[ing] the provision of assistance to individuals and communities in greatest need, particularly communities that have been historically disadvantaged and have experienced disproportionate impacts of the COVID-19 crisis.”
- The flexibility and focus allowed by Treasury is meant to, “promote use of resources to facilitate the provision of assistance to individuals and communities with the greatest need.”





**ARP Guidance  
allows for greater  
flexibility when  
serving those  
communities with  
health disparities  
or communities  
that have been  
historically  
disadvantaged**

# **Responding to the Public Health Emergency or its Negative Economic Impacts**

- Funding is broadly allowable for:
  - Healthcare and related services
  - PPE
  - Mitigation and prevention of COVID-19 (including vaccines)
  - Behavioral healthcare
  - Public health and safety staff
  - Expenses to improve the design and execution of health and public health programs



# Responding to the Public Health Emergency or its Negative Economic Impacts

- Funding is broadly allowable for:
  - Impacts on households and individuals—wide variety of individual and family supports, including cash payments
  - Impacts on business
  - Impacts to state, local and tribal governments, including re-hiring city employees
  - Exacerbation of pre-existing disparities
- Ineligible activities include general infrastructure unless responding to a specific pandemic related public health need, investments in rainy day funds or reserves, paying off debt from before March 2021, or paying fees for new debt, consent decrees



While assistance must be in response to COVID-19, a household is presumed to have been impacted if it experienced unemployment, food insecurity, housing insecurity or is low/moderate income

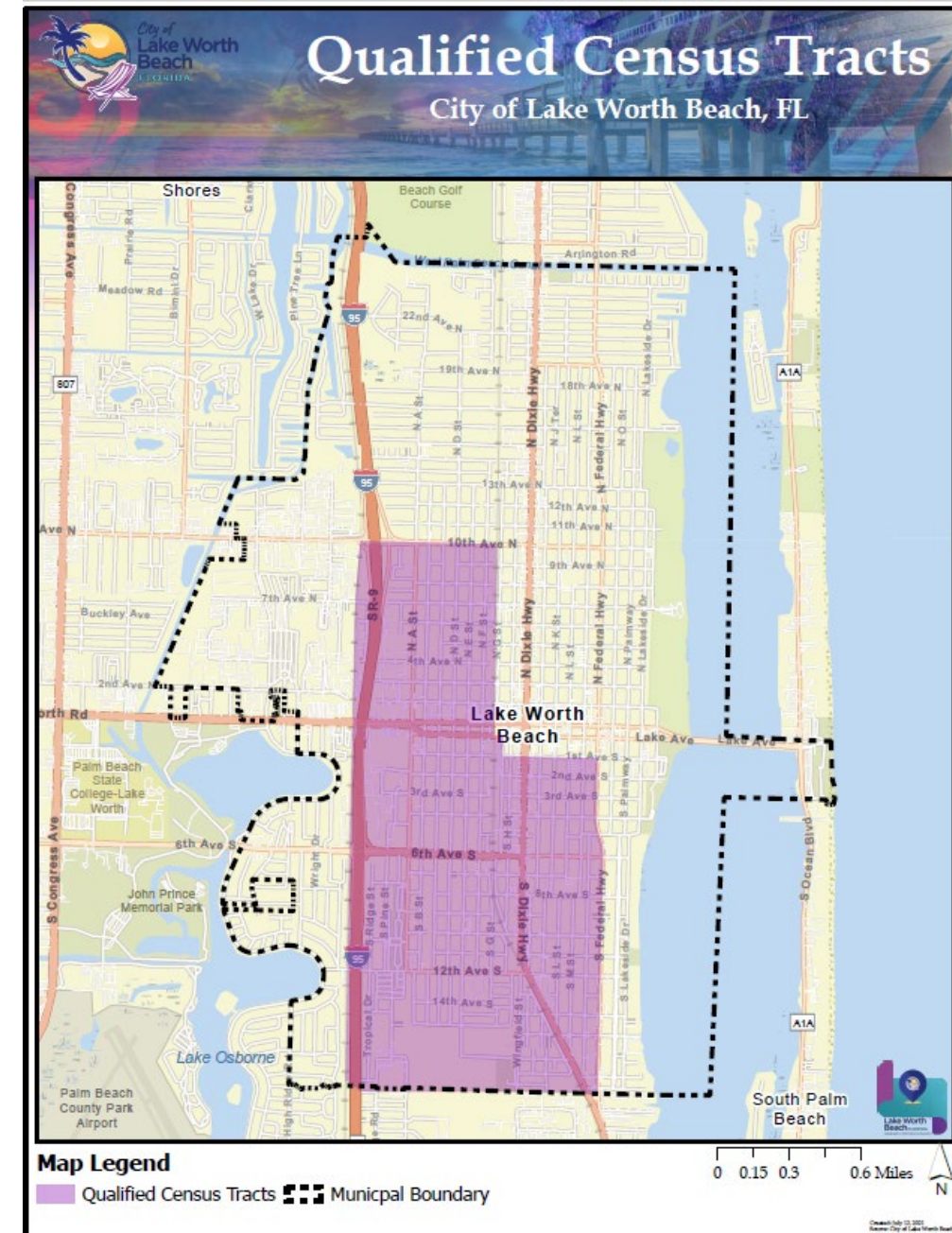




# Qualified Census Tracts

- Greater flexibility of spending is encouraged within Qualified Census Tracts (QCT)<sup>1</sup>, such as:
  - Making housing investments
  - Providing homelessness services
  - Addressing educational disparities
  - Providing quality childcare
  - Offering enhanced child welfare support
- Within a QCT, COVID-19 impacts are presumed

<sup>1</sup> These supports are not exclusive to QCTs, but are easier to deploy in a QCT



# Providing Premium Pay to Essential Workers (Public or Private Sector)



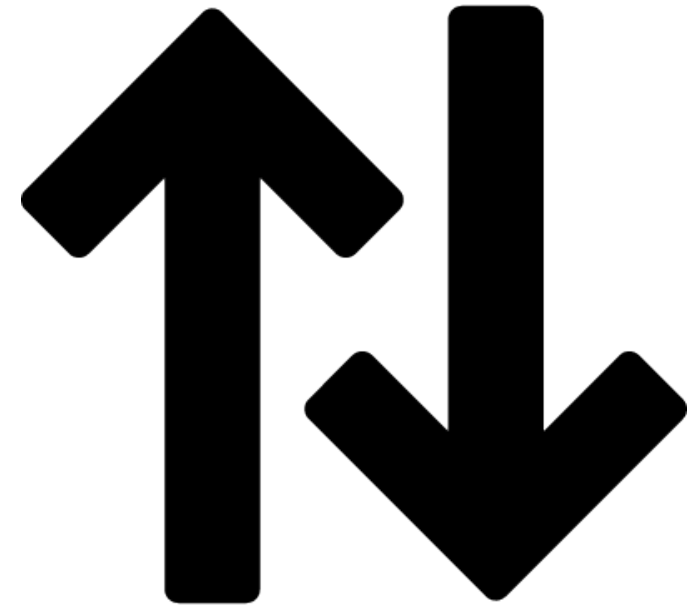
- Funding broadly allowable for:
  - Workers with regular in-person interactions or regular physical handling of items that were also handled by others
  - Up to \$13/hr. additional pay, up to \$25,000
  - Targeting to lower income workers
  - Retrospective or prospective work





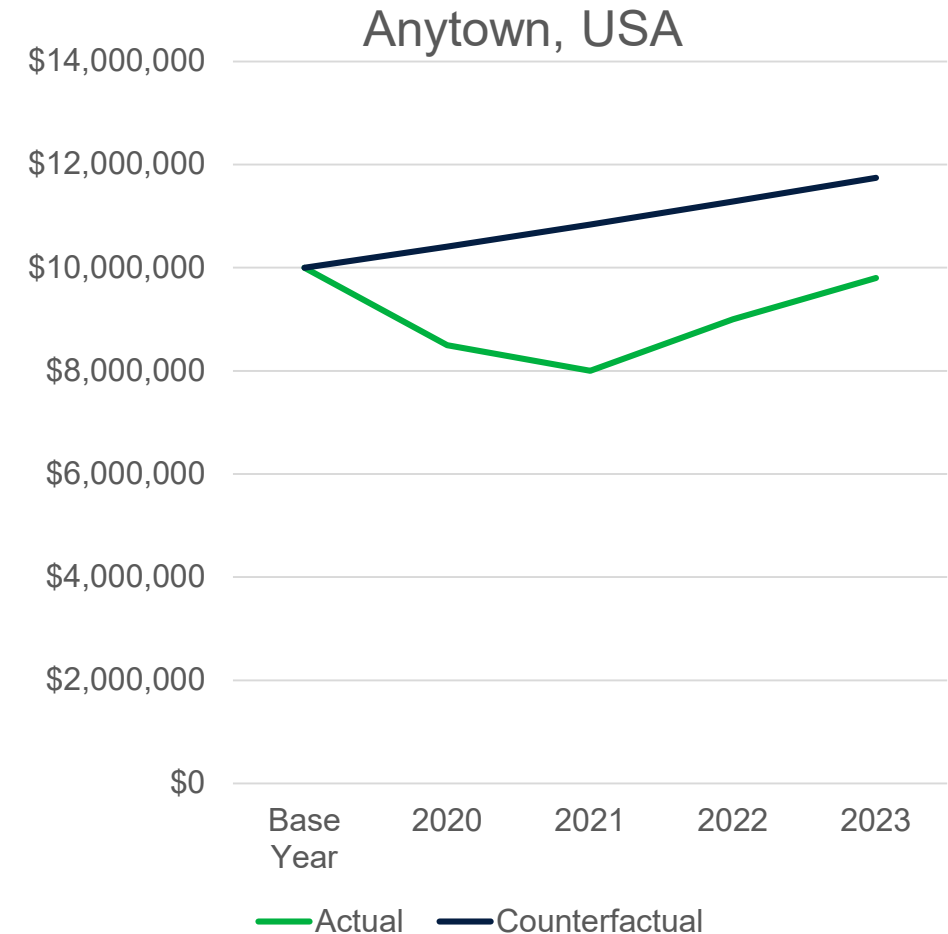
# Providing Revenue Replacement to the Unit of Government (with limits)

- Using base general revenue prior to pandemic and applying growth factor, unit of government can determine the difference between pandemic revenue and what it would have earned in revenue if there had been no pandemic—the difference can be filled with ARP funds
- Some sources of income are excluded from the general revenue definition, including utility revenues and proceeds from debt issuance or sale of investments
- Process can occur for 2020, 2021, 2022, 2023
- Once classified as revenue replacement, funds can be used for government service



# How the Process Works

- City financial staff use federal guidance to set pre-COVID-19 baseline revenue for Lake Worth Beach
- Use the growth factor provided in the guidance (4.1%) if more than average of past 3 years' revenue growth
- Model counterfactual revenue (baseline plus growth, over time) and compare it to 2020 actual revenue
- Estimate actual revenues for 2021, 2022 and 2023 and compare to counterfactual revenue
- Difference is the potential amount that could be classified as revenue replacement, once actual revenues are realized



# Planning for the Future

For maximum flexibility, the community can refrain from initially allocating its ARP funds so in out years, dollars remain available to be classified as revenue replacement when permitted





**Most flexible  
money for  
government  
use will likely  
be funds  
classified as  
replacement  
revenue**

## **Providing Revenue Replacement to the Unit of Government (with limits)**

- Uses can include:
  - Maintenance or pay-go funded building of infrastructure
  - Roads
  - Modernization of cybersecurity, including hardware, software, and protection of critical infrastructure
  - Health services
  - Environmental remediation
  - School or educational services
  - Provision of police, fire, and other public safety services



# Making Investments in Water, Sewer or Broadband Infrastructure

- Allows for a broad range of necessary investments in projects that improve access to clean drinking water. Key program elements include:
  - Water, wastewater and stormwater projects should be aligned with existing EPA and clean water programs
  - Recipients are encouraged to replace lead water pipes
  - Support the consolidation or establishment of drinking water systems







# Making Investments in Water, Sewer or Broadband Infrastructure

- Recipients may use Fiscal Recovery Funds to:
  - Construct publicly owned treatment infrastructure
  - Secure publicly owned treatment works, potentially including sea walls to protect the facility
  - Provide for cybersecurity needs to protect water or sewer infrastructure
  - Facilitate water reuse







**While environmental resiliency could potentially be funded via multiple categories of local ARP funding, current federal regulations most clearly point to using water, wastewater and broadband infrastructure funding**

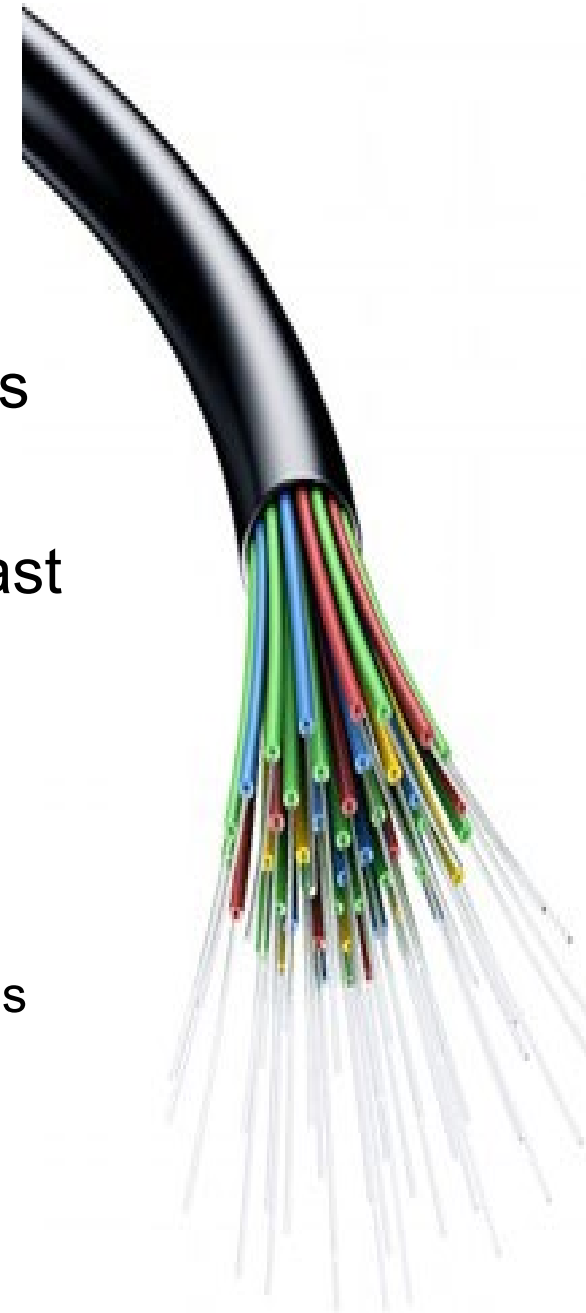
# Environmental Resiliency

- ARP funding allows for investments in infrastructure to manage and treat stormwater or subsurface drainage water
  - The Clean Water State Revolving Fund guidelines, to which an ARP project must be aligned, goes further to include “measures to manage, reduce, treat, or recapture stormwater or subsurface drainage water”
- Infrastructure funds can be used anywhere within the jurisdiction



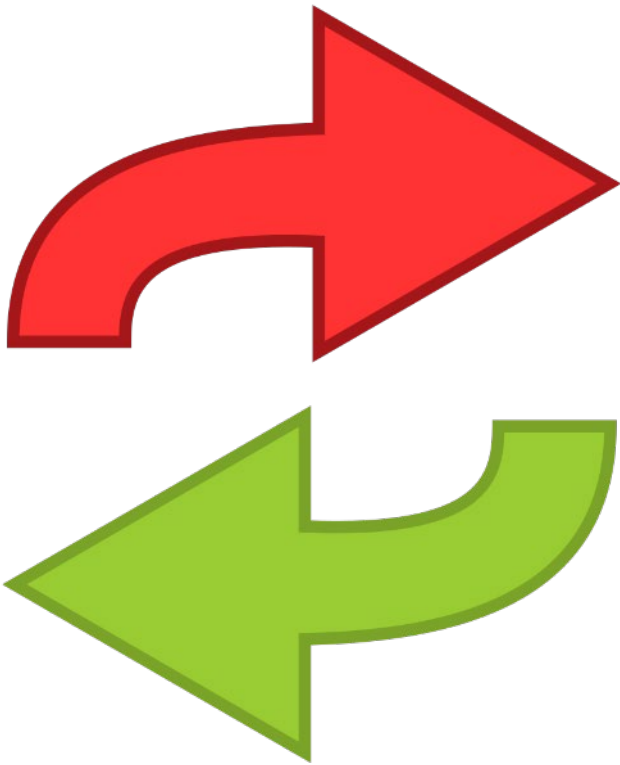
# Making Investments in Water, Sewer or Broadband Infrastructure

- The pandemic has shown how critical broadband is to the economic and educational wellbeing of a community. Projects to improve broadband should:
  - Target unserved or underserved areas (those lacking at least 25 Mbps download / 3 Mbps upload reliably)
  - Deliver service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps
    - If not feasible, service would need to meet or exceed 100 Mbps download and between at least 20 Mbps and 100 Mbps upload speeds and be scalable to a minimum of 100 Mbps symmetrical for download and upload speeds.
- Funds can be used for middle and last mile projects



# Transferring ARP funds

- Transfers of funds from a recipient to other entities is allowed in certain circumstances, including to:
  - Special-purpose districts
  - Other constituent units of government
  - Non-profit private entities
- Recipients of transferred funds must be eligible and must use funds for eligible purposes
- Funds can't be transferred from one recipient to benefit constituents of a non-overlapping unit
- City can send funds to State
- County can't send funds to another county





**While the list of prohibited actions is short, there remain several activities that are neither clearly allowed or disallowed**

# General prohibitions

- Deposit into a pension account—
  - Pension contributions as part of pay for employees supported with ARP funds are allowed
- Reduce taxes (states and territories)
- Use as non-federal match







# What are communities focusing on?

- Housing/homelessness
- Restarting faltering business/industries
- Public safety
- Workforce development
- Revenue replacement
- Broadband

**Transformational Funding  
should be used for  
Transformational  
Investments**



# Future Funding Opportunities

- While ARP funding is designed to be transformational, it will not be the only opportunity Lake Worth Beach has to make strategic investments:
  - Community Project Funding (earmarks)
  - American Jobs Plan (infrastructure proposal)
  - Realized savings from pension refinancing



**The community can evaluate goals against current and future funding, to ensure the most targeted dollars possible are being deployed for each discrete use**







# Possible Next Steps

- Commissioners develop a strategic framework for ARP funds, including:
  - Targeted uses
  - Expected ROI
  - Measurement expectations
- Engage with Community to review strategic framework and solicit feedback
- Operationalize strategic framework



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