



**TOWN OF LOS GATOS
FINANCE COMMISSION**

MEETING DATE: 06/13/2022

DATE: June 8, 2022
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive Update on American Rescue Plan Act Administration

RECOMMENDATION:

Receive update on American Rescue Plan Act (ARPA) administration.

BACKGROUND:

In accordance with ARPA, the Town was awarded an ARPA grant in the amount of \$7,229,744 paid to the Town in two separate payments, the first payment of \$3,618,872 was received in early July 2021 and the second payment of \$3,614,872 is expected to be received in early July 2022.

Based on initial guidance of eligible uses of ARPA funds the Town allocated these funds to various purposes to respond and support the impacts of the pandemic on Town residents, non-profits, the business community including the construction of downtown parklets, non-profit fee and rent waivers, enhanced senior services, promenades, and increased funding for Town infrastructure capital improvements, among other initiatives.

Since receipt of ARPA funds staff has been following the evolution of the federal guidelines for the use of ARPA funding as well as regularly participating in ARPA focused webinars presented by the US Department of the Treasury (Treasury) staff and the ARPA sub-group sponsored by the Government Finance Officers Association. During the initial ARPA implementation period Treasury received a tremendous number of inquiries from ARPA grant recipients on how best to comply with the complex and evolving federal regulations and guidance for calculating pandemic related revenue loss and complying with federal uniform guidance on eligible uses of ARPA funds. Treasury responded to this demand by revising its initial requirements in their

PREPARED BY: Stephen Conway
Finance Director

Reviewed by: Town Manager and Assistant Town Manager

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BACKGROUND (continued):

Final Interim Rule to allow certain non-entitlement units (NEUs) like the Town of Los Gatos a simplified procedure for claiming and reporting revenue loss. To be eligible for the simplified claiming procedures, the NEU must receive a total ARPA award of less than \$10 million.

DISCUSSION:

Upon Treasury's release of the simplified reporting process for entities awarded less than \$10 million in ARPA funding and additional guidance received through staff review of federal compliance issues, staff recommends that the Town recognize the \$3.4 M of FY 2021/22 and the anticipated \$3.6M FY 2022/23 cash collections of ARPA revenues as qualified revenue loss under the Treasury provisions for use in providing government services. To further aid in compliance with federal uniform guidance and Single Audit requirements, staff is intending to claim the lost revenue for use in providing essential government services and intends to account for the use of ARPA revenue loss revenues for eligible public safety payroll costs for both FY 2021/22 and FY 2022/23.

The recommended action as illustrated in the below worksheet will allocate all ARPA "replacement" revenues to the General Fund which in turn will unencumber other General Fund operating revenues which were previously dedicated for public safety costs. The newly unencumbered General Fund revenues can then be allocated to the ARPA pandemic responses as identified, approved and allocated by Town Council since receipt of the \$7.2 million ARPA award.

AMERICAN RESCUE PLAN ACT (ARPA) SUMMARY WORKSHEET				
	FY 2020/21	FY 2021/22	FY 2022/23	GRAND
	ACTUALS	BUDGET ADJ. ACTUAL/ESTIMATED	ESTIMATED	TOTAL
ARPA FUNDS REVENUE RECOGNIZED	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GOV SERVICES (WAIVERS,CUP&ADA,DIRECT GRANTS)	200,911			200,911
REVENUE LOSS -GOV SERVICES (PUBLIC SAFETY)		3,413,961	3,614,872	7,028,833
	\$ 200,911	\$ 3,413,961	\$ 3,614,872	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUES AVAILABLE	200,911	3,413,961	3,614,872	7,229,744
LESS APPROVED USES TO BE BUDGETED:				
PARKLETS (DOWNTOWN IMPVTS PROJECT)		680,000	250,000	930,000
RENT WAIVERS	121,255	341,452	283,756	746,463
CUP/ADA FEE WAIVERS	19,656	27,672	27,672	75,000
DESTINATION MARKETING		55,000		55,000
K-RAILS (DOWNTOWN IMPVTS PROJECT)		68,000		68,000
PROMENADES		80,000	120,000	200,000
DIRECT GRANTS	60,000	50,000		110,000
ENHANCED SENIOR SERVICES		500,000		500,000
CAPITAL IMPROVEMENT PROGRAM SUPPORT TRANSFERS			2,900,000	2,900,000
REQUIRED FOR GF BALANCING OF OPERATING REV_EXP	-		1,645,281	1,645,281
TOTAL ALLOCATIONS OF GENERAL FUND ARPA REPLACEMENT REVENUES	\$ 200,911	\$ 1,802,124	\$ 5,226,709	\$ 7,229,744
GENERAL FUND ARPA REPLACEMENT REVENUE UNCOMMITTED	\$ -	\$ 1,611,837	\$ (1,611,837)	\$ -

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CONCLUSION:

The worksheet illustrates budget adjustments related to the necessary ARPA and General Fund revenue and expense adjustments and recaps the total ARPA grant award of \$7,229,744 and the Council directed uses approved or proposed through June 7, 2022. In addition, the worksheet provides the detail staff will use to adjust the ARPA and General Fund budgets to recognize the ARPA grant award for revenue loss to be used to reimburse public safety response. It will also be used to recognize and budget FY 2021/22 matching General Fund ARPA replacement revenues and expenditure budgets for use in supporting the ARPA objectives as approved/proposed and directed by Town Council since original receipt of the ARPA grant award.