



BUSINESS OF THE CITY COUNCIL CITY OF MERCER ISLAND

AB 5857
April 27, 2021
Planning Session

AGENDA BILL INFORMATION

TITLE:	AB 5857: American Rescue Plan Act (ARPA) Funds Report	<input checked="" type="checkbox"/> Discussion Only
RECOMMENDED ACTION:	Receive report and provide general feedback on guiding principles and potential near-term uses of the first allotment of ARPA funds.	<input type="checkbox"/> Action Needed: <input type="checkbox"/> Motion <input type="checkbox"/> Ordinance <input type="checkbox"/> Resolution

DEPARTMENT:	Finance
STAFF:	Matt Mornick, Finance Director Merrill Thomas-Schadt, Recreation Coordinator/EOC Grants Coordinator
COUNCIL LIAISON:	n/a
EXHIBITS:	n/a
CITY COUNCIL PRIORITY:	2. Articulate, confirm, and communicate a vision for effective and efficient city services. Stabilize the organization, optimize resources, and develop a long-term plan for fiscal sustainability.

AMOUNT OF EXPENDITURE	\$ n/a
AMOUNT BUDGETED	\$ n/a
APPROPRIATION REQUIRED	\$ n/a

SUMMARY

The purpose of this discussion item is to seek early input from the City Council on the American Rescue Plan Act funding. This discussion will help inform development of a recommendation on the ARPA framework and guiding principles for consideration at a future City Council Meeting.

BACKGROUND

The American Rescue Plan Act ("ARPA") is a Federal economic stimulus package signed into law on March 11, 2021 in response to the economic and public safety impacts of the COVID-19 Pandemic ("Pandemic"). The \$1.9 trillion legislation includes \$19.53 billion to cities and towns to aid in their response and recovery from the Pandemic.

Mercer Island is currently estimated to receive \$5.64 million. Cities are expected to receive half of their allocated funds by June 10, 2021 and a second installment one year later. The deadline to spend funds is December 31, 2024.

Federal Assistance to Date

The two sources of Federal assistance thus far in the Pandemic have come from the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Federal Emergency Management Agency (FEMA).

The City was reimbursed \$1,101,150 through the CARES Act, administered by the Washington State Department of Commerce. These funds were fully expended in the City's emergency response through November of 2020.

FEMA financial support during the Pandemic has been minimal. During previous disasters, FEMA Public Assistance funds have reimbursed a good deal of the City's expenses, but eligibility guidelines are different because of the Pandemic. Thus far, only a very limited number of expenditures related to the impacts of the Pandemic are eligible for FEMA funding.

Fortunately, the City's Pandemic-related expenses in 2020 were almost completely covered by CARES Act funds or through King County Public Health. The portion that was not, approximately \$59,000 in salaries and benefits for the Emergency Operations staff work related to the Pandemic for the month of December, is currently being processed by FEMA for reimbursement. City staff will track guidance and remain diligent in seeking reimbursement through FEMA whenever possible.

ARPA FUNDS

Eligible uses of ARPA funds include:

- Responding to or mitigating the public health emergency with respect to the COVID-19 emergency or its negative economic impacts.
- Replacing lost revenues due to the COVID-19 public health emergency associated with the provision of government services relative to revenues collected in the most recent fiscal year prior to the emergency.
- Making necessary investments in water, sewer, or broadband infrastructure.
- Providing assistance to small businesses and nonprofits related to the economic impact of the Pandemic.
- Responding to local government workers performing essential work (via safety measures and/or hazard pay).
- Supporting the tourism, travel, and hospitality industries.

ARPA funds cannot be used to directly or indirectly offset tax reductions or delay a tax/tax increase or be deposited into any pension fund. In addition, tracking and reporting requirements for the ARPA funding and other potential grant funding spans multiple years and will be significant. The administrative responsibilities will need to be factored into the overall appropriation strategy.

ADDITIONAL GRANT FUNDS

Additional opportunities exist for ARPA funding through grants from the Department of Health & Human Services ("HHS") and the Department of Housing and Urban Development. Eligible uses include rental assistance, prevention and treatment of substance abuse, and local behavioral health needs. HHS grant monies are also available to provide financial assistance for drinking water and wastewater expenses for utility customers adversely affected financially by the Pandemic.

Youth & Family Services staff will be monitoring these grant opportunities to determine if any align with existing programming or possible new programming to enhance human services and provide utility billing relief for the Mercer Island community.

DISCUSSION

City staff is seeking early input from the City Council related to guidance on the use of the ARPA Funds. This discussion will help inform development of a recommendation on the ARPA framework and guiding principles.

Early Action Items

Though uses for the majority of the City's allocated ARPA funds will be determined over the next several months, there are three specific projects that should be considered in the near-term:

- Parks Maintenance "catch-up" costs to address the backlog of work throughout the parks system due to (seasonal) staff reductions in 2020 (\$400,000).
- Continued small business relief and support associated with economic recovery activities (Cost TBD).
- Technology modifications to City Hall Council Chambers to accommodate a hybrid model of in-person and online public meetings in the near future (Cost TBD).

These are one-time costs needed to address immediate needs related to the City recovery operations and helping further stabilize the small business community. Staff is seeking input from the City Council on these near-term requests and if there is support staff will bring back an appropriation request at an upcoming City Council meeting.

NEXT STEPS

City staff are tracking guidance and information as it develops from the US Treasury, the State of Washington, and partners such as the National League of Cities and the Association of Washington Cities. The information provided in this agenda bill is the latest and most reliable available but may change slightly over the coming weeks/months.

Staff anticipates returning to the City Council this summer to share the proposed framework and guiding principles and to discuss more specifically how to allocate the funds. Staff will present a recommendation for the final appropriation to the City Council this fall as part of the mid-biennial budget process.

RECOMMENDATION

Receive report and provide general feedback on the three potential near-term uses of the first allotment of ARPA funds.