



MEMO TO CITY COUNCIL

Request to Include Topic on the City Council Agenda

From: Dave Miles **Meeting Date:** March 15, 2022
Presenter: Dave Miles **Estimated Time:** 20 mins
Topic: American Rescue Plan Act (ARPA) Funding Discussion

Recommended Council Action:

Provide approval for allocation of Phase I project recommendations.

Background:

The Federal Government has allocated a new round of COVID relief funding under what is now known as the American Rescue Plan Act (ARPA). Council last held discussion on the ARPA funding options on September 7, 2021. Through the Coronavirus State and Local Recovery Funds Program (SLFRF), the City has been allocated direct funding of \$12.8M. To date, the City has not requested or received any of the SLFRF funds, however an initial reporting was required and provided by Finance to the Federal Treasury by August 31, 2021 indicating that the City has requested and expended \$0 of SLFRF funds available to date.

As stated by the US Treasury, the ARPA funding also deviates from past COVID-19 funding efforts in that the Treasury recognizes that within the funding categories, each jurisdiction has substantial flexibility to meet local needs of the community. Within the ARPA funding guidance, the Treasury has identified four general categories of uses:

- Responding to the public health emergency or its negative economic impacts
- Providing premium pay to eligible workers
- Providing government services (via replaced lost revenue)
- To make necessary investments in water, sewer, and broadband infrastructure

In January of 2022, the US Treasury published the final rule regarding the use of ARPA funding. Changes were made in many areas of the rule and guidance including broadening the set of eligible uses for public health response as well as eligible water and sewer projects (mainly to address both affordability and reliability); clarifying that reasonably proportional capital expenditures may be allowable; and streamlining options to provide premium pay to those who qualify. Most significantly, the final rule now provides a standard allowance of \$10 million for revenue loss toward "government services"¹. This change in revenue loss methodology allows Meridian to apply up to \$10 million of the total \$12.8 million Meridian ARPA funding to government services projects, compared to the previously presented \$4.66 million (approx.).

¹ US Department of Treasury. 2022. *Coronavirus state & local fiscal recovery funds: Overview of the final rule*. Retrieved from <https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf>

Discussion:

Staff is seeking approval from City Council to move forward with projects listed as Phase I projects. Our goal is also for Council approval for Phase II projects, however phase II projects will be discussed further at future Council meetings.

With the ARPA funding being one-time money, strategies to expend the money on one-time capital needs make the most sense, rather than spending funds toward on-going expenses. ARPA funds are generational funds that will be spent. Like it or not, if Meridian does not utilize these funds, others will as they are projected to be returned to the Treasury and redistributed. With this in mind and following the State Legislature’s spending plan for State funds, it is prudent that Meridian consider projects that satisfy broad community needs, lower capital costs, meet long-term investment goals, and lower ongoing (operational) costs to the community.

As a reminder, the guidance and funding can be attributed to the four funding categories in the following ways based on follow up with the Treasury final rule guidance, and our Legal and Finance teams:

Responding to the public health emergency or its negative economic impacts	Some or all of \$12.8M
Providing premium pay to eligible workers	Some or all of \$12.8M
Providing government services (via replaced lost revenue)	Up to \$10M of \$12.8M
To make necessary investments in (water, sewer, broadband) infrastructure	Some or all of \$12.8M

Since the September, 2021 discussion and considering these categories, an internal team of senior leadership, along with Councilwoman Strader and Councilman Borton developed a list of project ideas (Attachment A). This list considered the ARPA rules, operational savings, community benefit, project timing and whether or not a similar project was related to the current strategic plan and comprehensive financial plan as the necessary hurdles to determine whether or not a project should be considered.

The projects have various benefits and scope, and many of the listed projects have an associated (calculable) return-on-investment (ROI). As you will find in Attachment B, there are project narratives provided to provide greater project detail and any relevant ROI consideration as well. Of note, you will not find a summary of the City’s benefits trust COVID impacts repayment. That item came to light after the senior leadership group met, and was being evaluated by the Legal Department as to its validity under the Treasury guidance. It was determined to be a viable item for cost recovery as those costs are directly related to the COVID impacts on the City employee base.

Phase I projects along with their estimated costs and the ARPA funding category they pertain to are listed below:

- Facility HVAC NPBI COVID Response ~\$160K
- COVID Testing COVID Response ~\$15K
- Benefits Trust COVID Impacts Repayment COVID Response ~\$190K
- Biosolids Drying Water, Sewer, Broadband ~\$5M
- Cybersecurity SCADA Improvements Water, Sewer, Broadband ~\$250K
- Energy Efficiency Study @ Utilities Water, Sewer, Broadband ~\$100K
- Energy Efficiency Study @ Facilities Revenue Loss ~\$100K
- Streetlight Improvements Revenue Loss ~\$1.0M

With an allocation of \$6,815,000 in phase I projects, remaining funds of a little more than \$6,000,000 are available for a variety of elements including possible costs overruns above estimates, the possibility of future COVID impacts if the virus increases in activity again, or other projects and reserves to future phase II projects.

Future phase II projects include the Linder Road Overpass among others. The Linder Road Overpass project has wide community benefit and is able to address a frequently-noted, top citizen concern. In fact, transportation related improvements have been one of the top citizen concerns since 2014. In 2020 alone, over 95% of the community noted that transportation projects were the highest priority of the community.²

In light of the current state of the golf course needs (including irrigation) and the support for a budget amendment approach for current capital improvements needed; the needed future work to clarify the community center needs and its current CFP allocation; the unclear project specifics for any broadband effort; and the variability of the availability of land for regional parks and whether the parks department is ready to move forward with future acquisition, these additional phase II projects should be further considered.

With approval of the phase I estimated project costs, the remaining +\$6M of funds are recommended to be considered for the following phase II projects below:

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|--------------------------|-------------------------|----------|
| • Reserve Set-Aside | | ~\$2.5M |
| • Linder Road Overpass | Revenue Loss | ~\$2.5M |
| • Community Center | Revenue Loss | ~\$8-10M |
| • Golf Course Irrigation | Water, Sewer, Broadband | ~\$4.85M |
| • Regional Park Land | Revenue Loss | ~\$5M |
| • Broadband | Water, Sewer, Broadband | ~\$tbd |

Staff is looking for acceptance of the phase I projects at this time. Follow up conversations will occur regarding the phase II projects and reserve funding.

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² City of Meridian. (2020). *2020 City Survey*. Retrieved from <https://meridiancity.org/mayor/priorityissues/city-survey>