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**To:** Mayor Nelson and Members of the City Council

**From:** Daniel R. Buchholtz, MMC, Administrator, Clerk/Treasurer

**Date:** February 25, 2022

**Subject:** ARPA Distribution

The City of Spring Lake Park has been allocated \$756,124 in ARPA funding. Funding for ARPA can be used for the following purposes:

- Responding to the public health emergency
- Responding to the negative economic impacts of the pandemic
- Premium pay for essential workers
- Revenue replacement for the provision of government services to the extent the reduction in revenue is due to the COVID-19 public health emergency
- Investments in water, sewer and broadband infrastructure

There are restrictions on the use of ARPA funds.

- Funds cannot be used to directly or indirectly offset tax reductions or delay a tax/tax increase.
- Funds cannot be deposited into a pension fund
- Funds cannot be used to pay debt service
- Funds cannot be used to replenish financial reserves.
- Fund cannot be used to satisfy legal settlements or judgments
- Funds cannot be used for a project that conflicts with or contravenes the purpose of the American Rescue Plan Act.

The easiest way to use the ARPA funds is under the revenue replacement category. According to the final ARPA rule, the City may elect a “standard allowance” to spend on government services through December 31, 2024. According to the rule, government services include the following categories.

- Road building and maintenance, and other infrastructure
- Health services
- General government administration, staff and administrative facilities
- Environmental remediation
- Provision of police, fire and other public safety services (including purchase of fire trucks and police vehicles)

The standard allowance caps at \$10 million.

To guarantee the City spends the funds prior to December 31, 2024, staff recommends using the funding as follows:

- Fund the 2022 Street Improvement Project (\$483,238). We were planning to utilize reserves to finance this project
- Fund a portion of the 2022 Sanitary Sewer Lining project (total estimate for remaining portion of City is nearly \$600,000). This project would have been totally funded through the Public Utility and Renewal Fund.

If ARPA funds are used for these purposes, dollars from Fund 400 (Revolving Construction) and Fund 600 (Public Utility Renewal and Replacement) could be transferred out to the General Fund to fund capital projects that may or may not fall within the ARPA funding period (e.g. renovation of City Hall).

If the City Council concurs with staff's recommendation, we would recommend the City Council approve the enclosed resolution at the March 21 City Council meeting. This resolution expresses the City Council's intent to elect the standard allowance available under the revenue loss provision of ARPA. This election is irrevocable. However, from a reporting standpoint, revenue replacement is the least burdensome use of the funds.

If you have any questions, please don't hesitate to contact me at 763-784-6491.