



May 18, 2021

To: Mayor Ezzy Ashcraft and Members of the Alameda City Council

From: Annie To, Finance Director

Re: Supplemental Report on the American Rescue Plan Act (ARPA) Funding Since the April 2021 Staff Report Publication

Since the publication of the American Rescue Plan Act (ARPA) funding staff report in April, the City of Alameda (City) has learned that we will be the recipient of \$28 million. The first tranche includes half of the City's allocation of funding and will come in fiscal year (FY) 2020-21 and the second tranche with the other half of the funding will come one year later in FY 2021-22.

The United States Department of Treasury (Treasury) has also published a 151-page document titled "Interim Final Rule" (effective May 17, 2021). The Interim Final Rule contains the rules and guidelines, as well as reporting requirements, for spending of the ARPA funds. Treasury has encouraged cities to review the Interim Final Rule and provide comment. The City will continue to review and will consider any possible comments prior to the July 16, 2021 deadline for comments.

Important Dates Relative to ARPA

- January 27, 2020 – Beginning of the COVID-19 public emergency
- March 3, 2021 – Funds can be used to cover costs incurred from this date forward (i.e., replace lost revenue; retroactive premium pay for essential workers)
- December 31, 2024 – Funds must be obligated
- December 31, 2026 – Funds must be expended

Unique Opportunity Relative to Federal Funding

Federal funding often comes with significant "red tape". While the reporting requirements (discussed below) are still robust, ARPA funded projects, including eligible infrastructure projects, will NOT be subject to the National Environmental Protection Act (NEPA) review. Treasury also is encouraging the use of funds in "hardest hit communities" as defined in the Interim Final Rule.

Eligible Uses

The original ARPA language included four eligible uses:

1. Response to public health emergency/negative economic impacts
2. Revenue loss
3. Premium pay
4. Water, sewer, and broadband infrastructure

Each of these use categories is now discussed in more detail.

1. Public Health Response to COVID-19 Emergency

Treasury has suggested that cities allocate funds to COVID-19-related response efforts that focus(ed) on things like*:

- Mitigation and prevention activities
- Behavioral health care: mental health, substance misuse
- Activities to address the disparities in public health outcomes

*Note: If there are items that are not on the list, cities are encouraged to link their needs back to public health, ex., capital improvements to public facilities to allow for social distancing and/or better air quality may be possible.

Negative Economic Impacts

There is greater latitude with the ARPA funding than what came with the CARES funding. With that, Treasury is encouraging cities to consider:

- Help for households and individuals
- Assistance for small businesses
- Addressing the delivery of general government services, including rehiring staff
- Aid to impacted industries (with a focus on tourism, hospitality, and travel --- this does come with additional reporting requirements because funding would be moving to private sector)
- Expanding resources and support for “hardest hit communities**” (including things like affordable housing, homelessness support, early childhood education, and programs like lead abatement).

**Staff is researching the extent to which neighborhoods in Alameda meet the definition of “hardest hit communities.”

2. Revenue Loss

This is an area where cities can “put back” resources that were diminished by the pandemic. The Interim Final Rule from Treasury suggests that we consider revenue loss in the following ways:

- Compare actual pre-pandemic-era revenue to an estimate of revenue if the pandemic had not occurred (using a growth adjustment calculation provided in the guidance OR 4.1% growth, whichever

is higher). Since revenue loss is different for every community, Treasury will allow calculations to be considered at four points in time:

- December 31, 2020
- December 31, 2021
- December 31, 2022 and/or
- December 31, 2023

Revenue Loss Calculation

Description	Amount
Base Year Revenue (FY 2018-19)	\$283,784,827
Growth Adjustment (3-Year Average Annual Growth)	9.3%
Calculation Date	December 31, 2020
Months From Calculation Date to End of Base Year	18
Actual General Revenue (1/1/2020 to 12/31/2020)	\$318,465,381
Counterfactual Revenue	\$324,445,981
Counterfactual - Actual	\$5,980,600

By using this spending category, cities will be given broad latitude to use funds for the provision of government services, i.e., infrastructure maintenance like roads, modernization of cybersecurity, health services, environmental remediation, or the provision of public safety services (e.g., police and fire).

3. Premium Pay to Essential Workers

The APRA funds could be used by the City to pay (retroactively or going forward) essential workers during the pandemic. Direct payments may be made to essential works or grants could be provided to third-party employers with eligible workers. The work must involve regular in-person interactions, or regular physical handling of items that were also handled by others (not for teleworkers). The premium pay is \$13/hour more than their wage/payment and cannot exceed \$25,000 per year per employee. Should the City Council be interested in pursuing this option, there are more rules related to things like the state and/or county average annual wage.

4. Water and Sewer Infrastructure & Broadband

This item is somewhat tied to the Biden Administration’s “Build Back Better” infrastructure program. Projects that improve the drinking water system and construct and/or maintain the wastewater system can be funded.

With respect to broadband, the Treasury is encouraging cities to consider projects that focus on unserved and underserved individuals and households. Somewhat unique here, there is an preference for support networks owned, operated, or affiliated with local governments, non-profits, and co-ops.

Ineligible Uses

As documented in the April 2021 agenda report, the funds cannot be used to:

- Offset tax cuts
- Fund pension funds or rainy day funds
- Fund debt service, legal settlements, matching funds (unless allowed by the federal program)
- General infrastructure spending (outside of broadband, water/sewer) unless under revenue loss provision

Reporting Requirements

As a direct recipient of the ARPA funding, the City will be required to submit one Interim Report and thereafter, quarterly Project and Expenditure reports through December 31, 2026 (end of the “performance period”). All financial records and supporting documents will have to be kept for five years after all funds are expended.

Recommended Approach to ARPA Spending

Staff continues to recommend using the City Council priorities as a guiding framework for evaluating the requests for ARPA spending.

Several organizations involved in supporting cities are encouraging the use of the first tranche for revenue replacement (addressing revenue loss), and getting more creative with the second tranche to meet unique or underfunded local needs. Staff concurs with this approach because it serves two purposes:

1. Recovery Focus - Allows for the transparent use of the funds by directing resources to where cities had planned pre-pandemic; and
2. Looking Forward – Allows cities time (additional year) to evaluate options and work with the community to determine where additional one-time funding should be spent.