



MEMORANDUM

A handwritten signature in black ink, appearing to read 'Mark Whitley', located to the right of the memorandum header.

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Budget Amendment for ARPA Funds – Additional Details
DATE: September 7, 2021 (for September 14, 2021 Meeting)

ISSUE

Shall the City Council appropriate \$5,000,000 of the City's federal grant award under the federal American Rescue Plan Act of 2021?

RECOMMENDATION

The attached resolution is recommended for City Council's adoption on first reading. Second reading would be scheduled for the meeting of September 28, 2021.

A public hearing on this matter was opened on August 10, 2021, and held open for the August 24 and September 14, 2021 meetings. A comment was received on August 24 in support of the allocation for homelessness initiatives.

BACKGROUND

This memorandum is a supplement to the original memorandum that accompanied the public hearing materials for the August 10, 2021 and August 24, 2021 Council meetings.

The attached resolution includes \$2,000,000 for homelessness initiatives.

Capital Projects

The Capital Projects selected for the Council's final consideration are discussed below, and do not include the water plant project. Staff believes that the water plant allocation will not be needed until the second allocation of ARPA funds, so that has been deferred for future consideration.

In addition, the wastewater plant project funds that were considered for the main renovation project are wisely spent working on infiltration and inflow issues in the system. The downtown streetlight improvements have been included in prior discussions.

The capital projects selected include the following:

- 1) Wastewater – Inflow and Infiltration Abatement Work - \$500,000

This work is directly related to the renovation of the City's wastewater treatment facilities. The City is in the process of completing a study of the sewer system to determine the sources of stormwater or groundwater infiltration and inflow into the City's sanitary sewer system – which creates a need for additional treatment capacity and works at the newly renovated plant. The City may save wear and tear on pump stations, and may also save some of the cost of the renovations at the new plant if infiltration and inflow can be significantly reduced.

2) New Fire Station

The City continues to work to establish a new, larger, modern fire station that will serve to house apparatus and personnel and enable the City to replace Fire Station #2 on Altoona Drive. This project is included in the FY 2022 capital budget, as a debt issuance. Funding is set aside in this appropriation to continue the development process, and this funding will help offset future debt issuance needs.

3) Downtown Street Improvements

The City has a project to replace downtown streetlights that are past their useful life. The funding source in the FY 2022 capital budget was set to be borrowed funds, but the availability of the ARPA funds will enable us to utilize cash and forego some of the borrowed funds for this project.

Pandemic Response

The pandemic response allocation of \$1,000,000 includes funding that will enable the City to continue to respond to the pandemic across a variety of departments. Major allocations are included for Information Technology, Public Facilities, Parks, and Economic Development. The Economic Development funds will enable that department to assist with marketing and messaging around the pandemic. Smaller amounts of funding are allocated to the City Manager's Office, Finance, Police, and Fire, plus an allocation of \$39,000 for contingency.

Of note, the resolution includes funding for the Sheriff's office that will enable the hiring of one full-time deputy for additional pandemic-related security in City Hall. A deputy has been stationed in the building and has been invaluable in assisting customers and ensuring compliance with mask protocols. In addition, the state included an amount in their budget for \$3000 for sheriff's deputies and correctional officers. This was done through the state Compensation Board, which includes funding support for some but not all of the deputies serving in the Sheriff's office. Funding is included in the attached resolution to ensure that sworn Sheriff personnel will receive the bonus.

City Council should be aware that neighboring jurisdictions are likely to extend the \$3000 bonus to all public safety personnel – including law enforcement and fire and rescue. The City has been working to maintain our competitive position in the regional marketplace for public safety personnel, and staff will present a plan to reasonably maintain our position before the close of the calendar year.



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Brenna Erford, Budget Manager
DATE: August 17, 2021 (for August 24, 2021 City Council Meeting)
SUBJECT: Amending the FY 2022 Budget to Appropriate American Rescue Plan Act Funds

ISSUE

City Council is asked to amend the FY 2022 budget to appropriate \$5,000,000 in federal pandemic assistance awarded to the City through the American Rescue Plan Act (“ARPA”) to fund eligible capital projects, homelessness initiatives, ongoing City operations and ongoing COVID-19 pandemic response.

RECOMMENDATION

A public hearing was held at the August 10, 2021 meeting and was held open through the August 24, 2021 meeting. There are some new developments concerning the capital projects and COVID response portions of the funding that require additional development. Therefore, the staff wishes to bring forward a resolution for first reading on September 14, 2021.

DISCUSSION

Signed into law on March 11, 2021, The American Rescue Plan Act of 2021 provided \$350 billion in additional funding for state and local governments. As a Community Development Block Grant (CDBG) entitlement jurisdiction, the City of Fredericksburg has been awarded \$10.78 million from this funding pool, which will be disbursed to the City direct from the U.S. Treasury in two tranches. The first half of the total award was received in June 2021, and the second and final payment is anticipated to be received in May 2022.

Staff recommends that the second part of the payments be considered and included along with the FY 2023 budget process (March – May 2022).

Additional Background – Eligible Uses

All expenditures of ARPA funds must meet the eligibility requirements for the use of the funds outlined by the federal government. There are four broad categories of eligibility, as listed in the following table.

Eligible Uses	Restrictions
<ul style="list-style-type: none">• Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to	<ul style="list-style-type: none">• Funds allocated to states cannot be used to directly or indirectly to offset tax reductions or delay a tax or tax increase;

Eligible Uses	Restrictions
revenues collected in the most recent fiscal year prior to the emergency, <ul style="list-style-type: none"> • COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery, • Premium pay for essential workers, • Investments in water, sewer, and broadband infrastructure. 	<ul style="list-style-type: none"> • Funds cannot be deposited into any pension fund. • Funding must be spent by the end of calendar year 2024.

Investment in critical infrastructure is particularly suitable use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long-term assets that provide benefits over many years.

Revenue Replacement Determination – Special Discussion

The category listed as Revenue Replacement (or “Revenue Loss”) provides for uses for ARPA local relief funds that is fairly broad and involves the provision of “government services.” US Treasury’s Interim Final Rule provides a non-exclusive list of “government services” that include providing services or aid to citizens. Under the rule, municipalities can also spend on pay-go building, which means that a municipality can start a capital project with these funds and finish it with future economic revenues or bonds. Other areas listed as non-exclusive include cybersecurity; healthcare services; school or education services; and police, fire, or public safety.

The Act provides a calculation to determine what a local government can assume as “lost revenue” given various assumptions about revenue growth prior to the pandemic. Staff has applied the formula in the rule and determined that the City can utilize \$8.4 million, which is 77% of the total fiscal aid, under the revenue loss criteria.

US TREASURY RULE, REVENUE LOSS CALCULATION

Base year City of Fredericksburg total revenue (FY19)	\$ 107,004,453
Treasury-specified annual revenue growth assumption, FY17-FY19	4.10%
Average annual general revenue growth, FY17-FY19	3.98%
Reference amount	4.10%
Growth factor to use (greater of the two options):	4.10%
Actual FY20 revenue	\$ 105,211,877
18 months / through Dec 31 2020	18
Revenue factor (4.1% annual rate @ 18 months)	6.21%
Revenue, adjusted (FY21 proxy)	\$ 113,652,226
FY21 Revenue Loss	\$ 8,440,349

The water & wastewater capital projects partially funded by this proposal meets eligibility criteria for ARPA funds under both the revenue loss and water & sewer capital infrastructure scenarios. The pandemic relief funding would also meet the criteria for COVID-19 expenditures, so that all spending of the direct ARPA relief will meet one of those three criteria.

The Commonwealth of Virginia General Assembly is also meeting in special session currently to determine how the Commonwealth will be utilizing the federal resources available to it under the ARPA. This proposal does not address any revenue that the state may share with us in addition to the direct federal grant. Staff will continue to monitor the special session and inform Council and propose budget amendments as necessary once the General Assembly budget is finalized as well.

FISCAL IMPACT

The proposed budget amendment increases total Fund 230 revenue and expenditures by \$5 million. The City has received a payment of \$5,391,374 and should receive a second payment of that amount next year. The difference between the \$391,374 may be held as a pandemic-related reserve and, if not spent, be included in the next year's budget process as well.

The capital projects proposal includes several items that will be eligible under the criteria, that are scheduled to be funded using debt issuance. The use of ARPA funds for these projects would offset future debt issuance to a degree, although debt issuance will still be necessary to do all of them. This use of ARPA funds saves future interest costs. The four projects under consideration together are well in excess of \$2 million, and they include:

- 1) The City's share of an expanded Motts Water Treatment Plant project, including the purchase of additional capacity;
- 2) The replacement of pedestrian bridges over the Rappahannock Canal;
- 3) The replacement of streetlights in the downtown area that are at the end of their useful life; and
- 4) A portion of the Wastewater Treatment Plant project.

The homelessness initiatives are a programmatic set-aside as proposals are developed by the staff and the George Washington Regional Commission to address homelessness issues within the City. The additional set-aside of \$1 million for pandemic response is for expenditures related to the pandemic, similar to expenditures made under the CARES Act.



September 14, 2021
Regular Meeting
Resolution 21-

MOTION:

SECOND:

RE: Amending the Fiscal Year 2022 Budget to Appropriate Federal Funding Made Available by the American Rescue Plan Act of 2021

ACTION: APPROVED: AYES: 0; NAYS: 0

FIRST READ: _____ SECOND READ: _____

The City Council wishes to utilize federal American Rescue Plan Act (ARPA) funds to support critical City capital projects; pursue homelessness initiatives; and support the City's ongoing pandemic response. City Council wishes to appropriate and utilize the majority of the initial round of direct funds received through the ARPA. Additional funding is anticipated and shall be considered by City Council along with the FY 2023 annual budget process.

Therefore, the City Council resolves that total appropriations of \$5,000,000 be made on a project basis in the Federal Coronavirus Assistance Fund (Fund 230). The appropriations listed below shall take effect July 1, 2021.

Federal Coronavirus Assistance Fund (Fund 230)

Sources

American Rescue Plan Act

American Rescue Plan Act	0230 332093	\$ 5,000,000
Total		<u>\$ 5,000,000</u>

Total Sources		<u>\$ 5,000,000</u>
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Uses

ARPA Homelessness Initiatives

Professional Services – Other	23085910 431600	\$ 2,000,000
Total		<u>\$ 2,000,000</u>

<u>Total Homelessness Initiatives</u>		<u>\$ 2,000,000</u>
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ARPA Capital Projects

Infiltration & Inflow Abatement Work

Transfer to Capital - Wastewater	23093100 492040	\$ 500,000
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Total \$ 500,000

New Fire Station

Transfer to Capital – Public Safety 23093100 492040 \$ 500,000

Total \$ 500,000

Downtown Streetscape Improvements

Transfer to Capital – Public Works 23093100 492040 \$ 1,000,000

Total \$ 1,000,000

Total ARPA Capital Projects \$ 2,000,000

ARPA Coronavirus Relief Work

City Manager’s Office

Other Professional Services – ARPA 23015900 431600 \$ 25,000

Total \$ 25,000

Finance

Other Professional Services – ARPA 23015920 431600 \$ 50,000

Total \$ 50,000

Information Technology

Other Professional Services – ARPA 23015910 431500 \$ 50,000

Hardware Replacement – ARPA 23015910 481070 100,000

Software Replacement – ARPA 23015910 481120 50,000

Software Additions – ARPA 23015910 482120 50,000

Total \$ 250,000

Sheriff

Salaries & Wages – FT – ARPA 23025900 411010 \$ 37,500

Hazard Bonus Pay – Sheriff – ARPA 23025900 414020 54,000

Sheriff FICA – ARPA 23025900 421000 7100

Sheriff VRS – ARPA 23025900 422100 5400

Sheriff Medical – ARPA 23025900 423100 7000

Total \$ 111,000

Police

Maintenance Service Contracts – ARPA 23035910 433200 \$ 50,000

Total \$ 50,000

Fire

Maintenance Service Contracts – ARPA	23035920 433200	\$ 50,000
Total		<u>\$ 50,000</u>
 <u>Public Works - Facilities</u>		
Other Professional Services – ARPA	23045900 431600	\$ 50,000
Maintenance Service Contracts – ARPA	23045900 433200	100,000
Janitorial Supplies – ARPA	23045900 460050	<u>50,000</u>
Total		<u>\$ 200,000</u>
 <u>Parks Maintenance</u>		
Maintenance Services Contracts – ARPA	23075900 433200	\$ 50,000
Janitorial Supplies – ARPA	23075900 460050	<u>25,000</u>
Total		<u>\$ 75,000</u>
 <u>Economic Development</u>		
Advertising – ARPA	23085900 436000	\$ 100,000
Other Professional Services – ARPA	23085900 431600	<u>50,000</u>
Total		<u>\$ 150,000</u>
 <u>Contingency</u>		
Contingency	23015900 499010	<u>\$ 39,000</u>
Total		<u>\$ 39,000</u>
 <u>Total ARPA Coronavirus Relief Work</u>		 <u>\$ 1,000,000</u>
 Total All Uses		 <u>\$ 5,000,000</u>

City Council further resolves that the capital project funding listed above is to be transferred to the Wastewater Capital Fund to supplement the Infiltration and Inflow abatement project, and to substitute for planned debt issuance in the Public Works Capital Fund and Public Safety Capital Fund for the Downtown Streetscape and the New Fire Station, respectively.

Votes:

Ayes:

Nays:

Absent from Vote: None

Absent from Meeting: None

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Clerk's Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is

a true copy of Resolution No. 21- adopted at a meeting of the City Council held September 14, 2021 at which a quorum was present and voted.

Tonya B. Lacey, CMC
Clerk of Council



**NOTICE OF PUBLIC HEARING
CITY OF FREDERICKSBURG FY 2022 BUDGET AMENDMENT APPROPRIATING
AMERICAN RESCUE PLAN ACT FUNDS**

A FY 2022 budget amendment appropriating American Rescue Plan Act funds on a project basis is hereby prepared and published solely for the purpose of fiscal planning and public information. The City Council will hold a Public Hearing on this budget amendment Tuesday, August 10, 2021 at 7:00 p.m., or as soon as practicable thereafter, at the City Hall Council Chambers, 715 Princess Anne Street, Fredericksburg, Virginia. All citizens have the right to attend and share their views on the proposed budget within such reasonable time limits as shall be determined by the City Council. Additional public access to the meeting will be provided by television broadcast on Cox Channel 84 and Verizon Channel 42 or online at www.regionalwebtv.com/fredcc and www.facebook.com/FXBGgov. Speakers should submit written public hearing comments.

AMERICAN RESCUE PLAN ACT, FUND 230 – Federal Assistance

Revenues:

Federal Government.....	\$ 5,000,000
Total Revenues.....	\$ 5,000,000

Expenditures:

Capital Projects	\$ 2,000,000
Homelessness Initiatives	\$ 2,000,000
COVID-19 Pandemic Response.....	\$ 1,000,000
Total Expenditures	\$5,000,000

Written public hearing comments received by 4:30 p.m. on August 10, 2021 will be read into the record at the public hearing. People may deliver their written comments by (1) dropping them in the Deposit Box at City Hall, (2) U.S. Mail, (3) through a form on the City website: <https://www.fredericksburgva.gov/677/public-comment> or (4) email to the Clerk of Council. Persons requiring accommodations to facilitate participation are encouraged to contact the City Manager’s Office at (540) 372-1010.

This proposed synopsis is for informative and fiscal planning purposes only and does not constitute an obligation or commitment on the part of the City Council.

Mary Katherine Greenlaw
Mayor