



Legislation Text

File #: 21-1688, **Version:** 1

FROM:

Management Services

SUBJECT:

American Rescue Plan Act Update

RECOMMENDATION:

Approve revisions to the American Rescue Plan Act (ARPA) Expenditure Plan, including the leveraged projects, and authorize staff to move forward with projects.

COUNCIL GOALS:

- Operate in a businesslike manner by improving services through the effective use of technology.
- Practice sound fiscal management by producing timely and accurate financial information.
- Practice sound fiscal management by living within our means while investing in the future.
- Practice sound fiscal management by emphasizing capital formation.
- Invest in the City's infrastructure (streets, sewers, parks, etc.) by maintaining and improving the city's existing infrastructure.
- Invest in the City's infrastructure (streets, sewers, parks, etc.) by providing for the development of new infrastructure.
- Invest in the City's infrastructure (streets, sewers, parks, etc.) by creating and promoting community through people, parks, and programs.

DISCUSSION:

Background

The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, providing additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. ARPA funding of \$1.9 trillion provided for \$362 billion in flexible fiscal aid to state and local governments in America under the State & Local Fiscal Recovery Funds (SLFRF). The City of Fontana was allocated \$50.3 million in ARPA SLFRF funds. The U.S. Department of the Treasury issued an Interim Final Rule in May 2021, and the Final Rule in January 2022, to implement the Coronavirus State and Local Fiscal Recovery Funds established under ARPA.

Current Plan

On March 8, 2022, the City Council approved the original ARPA Expenditure Plan (Plan). Since its

approval and the fact there were many changes in the eligibility requirements from the Interim Final Rule and the Final Rule, the City determined that it would be prudent to thoroughly evaluate the funding eligibility of the Plan and retained the services of HdL ECONSolutions (HdL). HdL worked with City staff to define the description and scope of each of the projects and then evaluated each project against the SLFRF rules for eligibility, ultimately making recommendations on the eligibility of each project. Additionally, the City Attorney's office has also reviewed the plan and supports HdL's recommendations based upon the current information. The original and current Plan by Federal Eligible Use Category is below.

Current ARPA Expenditure Plan

Federal Eligible Use Category	Original	Current
1) Public Health & Economic Response	20,812,113	20,247,113
2) Revenue Loss	18,000,000	18,000,000
3) Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200)	250,000	250,000
4) Water, Sewer, and Broadband Infrastructure	11,195,000	11,195,000
Total Programmed	50,257,113	49,692,113
Available	-	565,000
Total Allocation	50,257,113	50,257,113

The revisions to the original plan previously approved by Council include the following and results in an unprogrammed available balance of \$565,000:

Previous Council Approved Plan Revisions

Project	Original	Revision	Current
After-School Program	815,000	(815,000)	-
Recruitment and Retent Program	-	250,000	250,0
Total	815,000	(565,000)	250.0

Recommended Plan - Revisions

The Plan revisions in the amount of \$142,487 being recommended in this item include the following:

Recommended Plan Revisions			
Project	Current	Revision	Recommended
Employee Retention/Incentive	2,007,221	(807,000)	1,200,221
Public Safety Retention Bonus - Premium Pay	549,486	1,549,486	2,098,972
Sewer and Storm Drain Infrastructure Masterplan	400,000	(24,870)	375,130
Sidewalk Rehabilitation	600,000	(600,000)	-
Update Master Infrastructure Plans	400,000	24,870	424,870
Total	6,407,221	142,487	6,549,708

Plan revisions being proposed with this item include adjustments to five projects as detailed below:

- Employee Retention/Incentive - a decrease of \$807,000 to recategorize the Public Safety Retention Bonus from the Federal Use Eligible Use Category of Public Health & Economic Response to Premium Pay for SLFRF reporting purposes.
- Public Safety Retention Bonus - Premium Pay - an increase of \$1,549,486 to recategorize the Public Safety Retention Bonus from the Federal Use Eligible Use Category of Public Health & Economic Response to Premium Pay for SLFRF reporting purposes (\$807,000) and to reflect the final negotiated bonus amounts (\$742,487).
- Sewer and Storm Drain Infrastructure Masterplan - a decrease of \$24,870 due to costs being lower than anticipated. Funds are requested to be transferred to Master Infrastructure Plan Update project.
- Sidewalk Rehabilitation - a decrease of \$600,000 as a result of HdL's review, it was determined that this project was not an eligible ARPA expense.
- Update Master Infrastructure Plans - an increase of \$24,870 due to costs being higher than anticipated.

Recommended Plan - Leveraged Projects

As indicated previously, the current Plan includes \$18.0 million of projects in the Revenue Loss category. It is recommended that the City take the standard allowance of \$10.0 million which results in the Revenue Loss category being over appropriated by \$8.0 million. As such, it is recommended that Council approve the Leveraged Projects below:

Recommended Plan Leveraged Projects

Federal Eligible Use Category Project	Recommended	Leveraged Projects	Recommended (Restated)
1) Public Health & Economic Response			
Support Government Employment (hiring above the pre-pandemic baseline)	-	5,872,530	5,872,530
To Be Determined	-	2,127,470	2,127,470
2) Revenue Loss			
Helicopter Purchase	3,000,000	(3,000,000)	-
Parking Structure	10,000,000	-	10,000,000
Pavement Rehabilitation	5,000,000	(5,000,000)	-
Total	18,000,000	-	18,000,000

- Support Government Employment - Hiring Above the Pre-Pandemic Baseline (\$5,872,530): Per the Treasury Final Rule, the City may hire above the pre-pandemic baseline and use SLFRF funds to pay for payroll and covered benefits associated with the recipient increasing its number of budgeted FTEs up to 7.5 percent above its pre-pandemic baseline. All costs associated with new positions approved by Council can be considered for this leveraged project, including but not limited to the new Police Department positions added in 2021-22 and 2022-23.
- To Be Determined (\$2,127,470): For the required balance of leveraged projects, existing/budgeted ARPA eligible discretionary general fund expenditures are being considered including capital expenses and personnel related expenses in the premium pay and retention categories and are still being identified and analyzed. It is recommended that Council authorize additional leveraged projects once eligibility is determined to finalize the expenditure plan and ensure accurate reporting.

Leveraging these projects essentially results in supplanting the over appropriated Revenue Loss category expenses with ARPA eligible discretionary general fund expenditures. These projects will be reported out as ARPA expenditures in lieu of helicopter purchase and pavement rehabilitation.

Recommended Plan Summary

The Plan below reflects all changes discussed above:

Recommended Plan Summary

Federal Eligible Use Category	Current	Revision	Recommendation
1) Public Health & Economic Resilience	20,047,113	465,530	24,712
2) Revenue Loss	18,000,000	8,000,000	10,000,000
3) Uniform Administrative R Principles, and Audit Require Awards (2 CFR Part 200)	250,000	-	250,000
4) Water Sewer and Broadband Infrastructure	11,195,000	-	11,195,000
5) Premium Pav	-	1,549,486	1,549,486
To Be Determined	-	2,127,470	2,127,470
Total Programmed	49,211,313	142,487,498	34,834,172
Available	565,000	-	422,514
Total Allocation	50,257,113	-	50,257,113

Plan Update

As of August 31, 2022, all Plan projects have been reviewed and based upon the scope of each project, deemed eligible by HdL and the City Attorney except for the Sidewalk Rehabilitation project, as it didn't meet the required criteria in the Treasury Final Rule. As companion items on the September 13, 2022, agenda, three projects are being presented to Council for consideration. Attachment B provides a brief update on each project.

FISCAL IMPACT:

There is no net fiscal impact associated with the approval of this item. Approval of this item reallocates ARPA funding within the expenditure plan as detailed in Attachment A and results in an available unappropriated balance of \$422,514.

MOTION:

Adopt staff recommendation.