

TOWN *Of* **PARADISE VALLEY**



STAFF REPORT

TO: Mayor Bien-Willner and Town Council Members

FROM: Michael Carbone, Interim Chief Financial Officer
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DATE: October 14, 2021

AGENDA TITLE:
Discussion on Eligible Projects for American Rescue Plan Act Funding

SUMMARY STATEMENT:

At the September 9th Council Meeting, Council gave direction on moving forward with six projects for further discussion. Two of these projects--sewer repairs with covid testing devices and Town Hall Chiller replacement-- are funded through enterprise, non-general fund dollars and require a campus-wide capital assessment to develop and fund a global capital replacement fund respectively. The four remaining projects meet ARPA eligibility requirements if the Council desires to fund them from one-time ARPA funds. This Study Session will provide more detail on these four projects.

The Council received the first of two disbursements of \$2.44M from the American Rescue Plan Act (ARPA). These funds must be used over the next few years to cover costs incurred beginning on March 3, 2021. The eligible projects must address COVID-19 response, mitigation, and prevention activities. The second disbursement will be received in July 2022.

BACKGROUND:

On March 11, 2021, the American Rescue Plan Act (ARPA) was signed into law which amended Title VI of the Social Security Act 17 (the Act) to add section 602, which establishes the Coronavirus State Fiscal Recovery Fund, and section 603, which establishes the Coronavirus Local Fiscal Recovery Fund (together, the Fiscal Recovery Funds).

The Interim Final Rule was prepared by the US Treasury to implement this Act. The Fiscal Recovery Funds build on and expand the support provided to these governments over the last year. Through the Fiscal Recovery Funds, Congress provided State, local, and Tribal governments additional resources to respond to the COVID-19 public health emergency and its economic impacts through four categories of eligible uses. Section 602 and section 603 contain the same eligible uses; the primary difference between the

two sections is that section 602 establishes a fund for States, territories, and Tribal governments and section 603 establishes a fund for metropolitan cities, non-entitlement units of local government, and counties. Sections 602(c)(1) and 603(c)(1) provide that funds may be used:

- a) To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- b) To respond to workers performing essential work during the COVID–19 public health emergency by providing premium pay to eligible workers;
- c) For the provision of government services to the extent of the reduction in revenue due to the COVID–19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency; and
- d) To make necessary investments in water, sewer, or broadband infrastructure.

The Interim Final Rule states that a broad range of services needed to contain COVID-19 are eligible uses, including “vaccination programs; support for isolation or quarantine; public communication efforts; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes) and other key settings like schools; ventilation improvements in key locations; enhancement of public health data systems; and other public health responses. Capital investments in public facilities to meet pandemic operational needs are also eligible, such as adaptations to public buildings to implement COVID-19 mitigation tactics.”

It is important to note that our Audit firm, Henry Horne, is unable to complete our FY21 Audit until the Treasury clarifies questions regarding the Interim Final Rule.

Currently the Treasury has released what’s called the “Interim Final Rule” and “FAQ’s” related to the ARPA Coronavirus State and Local Fiscal Recovery Funds Grant (CSLFRF). This has helped us understand the direction Congress and the Treasury wants cities and towns to take when using these funds. The AICPA (American Institute of CPA’s), GASB (Government Accounting Standards Board) and GFOA (Government Finance Officers Association) have all asked for clarification from the Treasury regarding what period these funds should be audited in regard to single audits. The AICPA has advised firms to wait until the US Treasury releases it’s “Final Rule” on these funds in order for us to place an opinion on the compliance and revenue recognition for the grant.

The FAQs released in July, 2021 is more explicit as to what may be deemed eligible projects. This FAQ outlines:

- Investments in improving outdoor spaces in response to economic hardship
- Aid provided to tourism/hospitality industries should respond to the negative economic impacts of the pandemic. i.e. safe reopening of businesses or facility upgrades delay due to pandemic.

Internal Efforts Related to “Reduction in Revenue”

- Annual revenue loss from taxes for periods ending Dec 31 2019

Water, Sewer, or Broadband Infrastructure

- Capital investments in public facilities to meet pandemic operation needs (adaptations to public buildings to implement COVID mitigations).
- Water, sewer and broadband, to the extent of the estimated reduction in revenue due to the public health emergency

In addition, the Town staff criteria it used in selecting projects recommended for these ARPA 'one-time funds' are:

- Contribution does not have long-term financial impacts on Town (increased pension)
- Assists the Town with financial obligations and contractual mandates
- Protects health and safety of Town, businesses, and residents
- Results in increased efficiency and level of service
- Reduces operational costs

Based on the federal eligibility requirements and the staff criteria to ensure the funds are spent prudently, staff has narrowed down the list of projects from the direction of the Council from 12 to 4 major projects.

NEXT STEPS:

Council direction to staff.

ATTACHMENT(S):

- A. Staff Report
- B. Presentation
- C. Rosenbauer Revolutionary Technology FAQ
- D. Interim Final Rule [2021-10283.pdf \(govinfo.gov\)](#)
- E. Coronavirus State and Local Fiscal Recovery Funds FAQs, July 14, 2021