



Date: June 9, 2021

To: Mayor & City Council

From: Scott H. Neal, City Manager

Subject: Proposed Spending Plan for Edina's American Rescue Plan Act Funds

Information / Background:

The City of Edina has been allocated \$4,932,493 in federal grant aid through the American Rescue Plan Act (ARPA) of 2021. Half of the funds will be delivered in 2021 and half will be delivered in 2022. The City has until the end of 2024 to complete the spending of the ARPA funds.

There are seven broad federal government priorities for which the funds can be used:

1. Supporting the public health response
2. Addressing the negative economic impacts caused by the public health emergency
3. Serving the hardest-hit communities and families
4. Replacing lost public sector revenue
5. Providing premium pay for essential workers
6. Investing in water and sewer infrastructure
7. Investing in broadband infrastructure

There are two broad categories that are ineligible uses of the ARPA funds:

1. Direct or indirect tax reductions, rebates, credits, etc.
2. Deposits into pension funds

There is specific guidance on spending questions available from the U.S. Department of Treasury. This guidance is dynamic. City staff track the guidance to make sure that our ARPA spending plans are compliant with the ARPA.

The role of staff in this matter is to develop a proposed spending plan. The role of Council is to consider the recommended plan and approve it as submitted or as amended. If the staff's proposed plan is amended by the Council, I request time for staff to review and analyze Council's amendments to ensure the amended

plan is compliant with federal law. If staff determine that Council's amended plan is compliant, staff will ask Council to formally approved and then staff will begin implementation.

As I considered my recommendation for the City's ARPA spending plan, I had two goals in mind. First, our spending plan for the CARES Act funds allocated about 70% of those funds to internal city government costs and 30% to direct program and service costs in the community. For ARPA, I want to flip those percentages. I want to dedicate 70% of ARPA funds to program and service costs in the community and 30% on internal city government costs. Deploying more of this money externally than internally feels fair to me given the stated purpose of the money is to help the community recover from the economic and societal damage caused by the pandemic. My proposed spending plan recommendation accomplishes this goal.

My second goal was to seek input and ideas from the community about how to best deploy \$4.9 million of federal aid into the community. City staff facilitated two community meetings with a total of 28 live attendees; two city employee meetings with a total of ten attendees; and organized a Better Together Edina project page with 557 total visits offering 162 unique ideas. The public engagement process employed by staff accomplished my second goal.

Based on the community and employee input, and the federal guidance, I have prepared the following ARPA spending plan for the Council's consideration. The spending plan line items are general spending priorities. When a spending plan is approved by the Council, staff will more fully develop a specific implementation plan for a later Council review.

The general tenets of my recommended ARPA spending plan, and which federal ARPA spending priorities they support, are as follows:

- An urban forestry initiative to plant 1,000 trees on public and private property as a mitigating response to climate change. A substantial percentage of these trees would be planted in and around multifamily housing areas that lack trees. The City's forester will develop a plan for this initiative. (Priorities 1, 3)
- Food aid and rental assistance as a form of direct assistance to people in need (Priority 3)
- Direct financial aid to small businesses; direct assistance to business support programs at the 50th & France Business Association and the Edina Chamber of Commerce (Priorities 2, 3)
- An expansion of the City's current shared mental health/social worker program to provide a more robust mental health support function to the community (Priorities 1, 3)
- Revenue loss from the City's recreation enterprise operations from 2020 (Priority 4)
- Investments in HVAC improvements in City facilities that are currently identified in the City's CIP (Priority 1)
- Investment in extension of broadband connections to the City's water, sewer and storm sewer equipment and building sites (Priorities 6, 7)
- Investments in partnerships with local private sector broadband service providers to incentivize them to ramp up the build out of their systems in the community with a focus of providing services in areas of the city with the most economic need first (Priorities 3, 7)

A financial summary of my recommended spending plan is below:

2021

Urban Forestry Initiative	\$100,000
Food Assistance	\$100,000
Rental Assistance	\$300,000
Small Business Assistance - General	\$300,000
Small Business Assistance – Targeted	\$200,000
50 th & France Business Assistance	\$100,000
Chamber of Commerce Business Assistance	\$100,000
Mental Health Assistance Expansion	\$400,000
Broadband Connections for City Utility Facilities	\$300,000
Community Broadband Expansion	<u>\$500,000</u>
	\$2,400,000

2022

Food Assistance	\$100,000
Rental Assistance	\$300,000
HVAC Improvements to City Facilities	\$400,000
Revenue Loss for City Rec Facilities	\$400,000
Mental Health Assistance Expansion	\$400,000
Broadband Connections for City Utility Facilities	\$300,000
Community Broadband Expansion	<u>\$500,000</u>
	\$2,400,000

As mentioned earlier, the City has until 2024 to complete the spending of the ARPA funds. I suggest that we go forward with a plan that encourages funds to be spent by December 31, 2023. Any funds left unexpended after that date would be “swept” into the Community Broadband Expansion program budget.

Summary

I suggest the Council take this recommendation under advisement at the June 15 City Council meeting and reserve action on it until your July 21 City Council meeting. If an ARPA spending plan is approved at the July 21 meeting, staff will develop an implementation program for the Council to consider approving at your September 9 Council meeting.