



**Date:** Sept. 9, 2021

**To:** Mayor & City Council

**From:** Scott H. Neal, City Manager

**Subject:** Final Spending Plan for Edina's American Rescue Plan Act Funds Round I

## Information / Background:

I am requesting the City Council's approval of the Sept. 9, 2021 Implementation Plan for spending approximately 50% of the City's total appropriation of American Rescue Act Plan (ARPA) funding. I will begin this staff report with a recounting of the milestones and timeline that have shaped our path to tonight's meeting.

At your June 15 meeting, I shared with the Council my proposed spending plan for the City's \$4.9 million allocation of federal government's ARPA funds. Unlike the 2020 CARES Act funds, which were distributed to state governments and then states distributed them to cities, ARPA funds are distributed directly from the federal government to cities. The City received \$2,466,246 (50% of our total ARPA appropriation) from the federal government on June 14. Federal officials have told cities to expect the second half of their total ARPA allocation mid-2022. The City has until 2024 to spend the ARPA funds on seven broad federal government priorities:

1. Supporting 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 also two broad categories of spending that are ineligible for 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 are regularly advised by the League of Minnesota Cities and Metro Cities about changes and clarifications in the federal guidance around spending ARPA funds. City staff track the guidance to make sure that our ARPA spending plans are compliant with the ARPA.

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 10 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. I prepared the June 15 ARPA spending plan based on the community and employee input, and the federal guidance. Council received the June 15 plan at the June 15 meeting and took the item under consideration for discussion at the July 21 Council meeting.

The general tenets of my recommended June 15 ARPA spending plan were 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)

The detail of those investments in the June 15 proposed spending plan were as follows:

## 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 |
| • 50th & 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                     | \$500,000 |

<b>TOTAL</b>	<b>\$2,400,000</b>
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## 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 \$500,000

**TOTAL \$2,400,000**

As planned, the Council discussed the June 15 ARPA spending at the July 21 Council meeting. I introduced an amended plan to the Council that evening. The amendment was to include a \$300,000 allocation for a Community Health Software Upgrade. The Council granted tentative approval to the proposed spending plan for 2021 and directed staff to prepare an implementation plan for final approval by the Council at the Sept. 9 Council meeting. The Council also agreed that it would withhold action on the proposed spending plan for 2022 in order to see how effective the 2021 allocation turned out and to see how other communities allocate their funds.

Following the City Council's July 21 decision, I worked with City staff to prepare a more detailed implementation plan for the 2021 ARPA spending plan. That implementation plan is presented to the City Council at your Sept. 9, 2021 meeting for approval. The Sept. 9 spending plan incorporated into the Implementation Plan document [see attached] contains the same general themes and principles as the June 15 and July 21 plans. What distinguishes the Sept. 9 plan is the level of detail. If approved by the Council, the Sept. 9 plan has sufficient detail that staff can begin putting the ARPA funds into the community almost immediately.

A significant deviation in the Sept. 9 plan compared to the June 15 and July 21 plans is a change of direction in the subcategory called "Community Broadband Expansion." The goal of this subcategory was to provide better, faster, cheaper broadband services to lower income residents. The strategy to achieve this goal was to provide broadband companies with cash subsidies to expand or improve their services in parts of the city with lower income residents.

Because this strategy involved planning, permitting and construction, it also meant that it would be slow, potentially taking years to achieve. As we thought about it more, staff realized that there may be other ways to achieve the goal. We met with Comcast and learned about their Internet Essentials program, which is a program that would allow the City to subsidize access to home broadband now, instead of building more system capacity years from now. We have modified our recommendation to the Council in this subcategory to reflect this change of direction. You will read more detail about this change of direction in the attached report.

In terms of spending, the comparison of the July 21 plan to the Sept. 9 plans looks like this:

<b>2021</b>	<b><u>July 21</u></b>	<b><u>Sept. 9</u></b>
• Urban Forestry Initiative	\$100,000	\$100,000
• Food Assistance	\$100,000	\$100,000
• Rental Assistance	\$300,000	\$300,000

• Small Business Assistance – General	\$300,000	\$200,000
• Small Business Assistance – Targeted	\$200,000	\$200,000
• 50th & France Business Assistance	\$100,000	\$100,000
• Chamber of Commerce Business Assistance	\$100,000	\$100,000
• Mental Health Assistance Expansion	\$400,000	\$400,000
• Broadband Connections for City Utility Facilities	\$300,000	\$300,000
• Community Broadband Expansion	\$500,000	\$500,000
• Community Health Software Upgrade	<u>\$300,000</u>	\$300,000
• Administrative, Compliance and Legal		<u>\$100,000</u>
<b>TOTAL</b>	<b>\$2,700,000</b>	<b>\$2,700,000</b>

### Summary

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 plan is approved unamended by the Council, staff can move the approved plan to the implementation stage immediately. If the staff's proposed plan is amended by the Council, staff will require additional time to review and analyze Council's amendments to ensure the amended plan is compliant with federal law and guidance from the U.S. Department of Treasury. If staff determine that Council's amended plan is compliant, staff can move forward with implementation after that finding is made.

The following points are important for the Council to bear in mind when considering this proposed spending plan:

1. The Sept. 9 ARPA spending plan was designed to invest approximately 70% of the funds into the community and reserve 30% for internal expenses. The spending plan for last year's CARES Act funds was approximately 30% external and 70% internal.
2. Staff conducted a community engagement plan on community member spending priorities and ideas. While we could not recommend all of the ideas we collected during the public engagement process, we have included two in particular (climate change mitigation and increase mental health spending) into the proposed plan.
3. The ARPA funds must be spent in compliance with the seven federal priorities in Edina.

4. If we delegate spending of ARPA funds to a third party, the City is still responsible to make sure the funds are spent in compliance with the federal priorities. We must make sure that we have mechanisms to insure lawful spending of the City's ARPA funds by third parties.
5. We should be conscious of media, social media and community members who will be watching our decisions about how the ARPA money is spent. We should endeavor to be good stewards with this money.
6. The purpose of the ARPA program is to provide fiscal help and support to people and businesses in our community. The sooner the Council approves an ARPA spending plan, the sooner the money can start making a difference in our local economy by helping people and businesses harmed by the pandemic.

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 all funds to be spent by Dec. 31, 2023. Any funds left

unexpended after that date would be "swept" into the City's General Fund to support the administrative costs of this initiative and other eligible internal costs.

### **Recommendation**

I recommend the City Council approve the Sept. 9 spending and implementation plan.