



“...meeting community needs...enhancing quality of life.”

OFFICE OF THE MAYOR

Jacob A. Woodford
100 North Appleton Street
Appleton, Wisconsin 54911
Phone: (920) 832-6400
Email: Mayor@Appleton.org

TO: Finance Committee & Common Council
FROM: Mayor Jacob A. Woodford & Finance Director Tony Saucerman
DATE: October 8, 2021
RE: ARPA

The American Rescue Plan Act (ARPA), a \$1.9 trillion economic stimulus package passed in March 2021, included substantial aid to local governments including the City of Appleton. Considered a “metropolitan city” by the U.S. Department of the Treasury, Appleton stands to directly receive approximately \$14.9 million through the Coronavirus State and Local Fiscal Recovery Fund. Initially, there was limited information about how much each community would receive, and little guidance on applicable uses. The Treasury Department issued an Interim Final Rule in May 2021, which outlined allowable uses and program priorities for the ARPA funds as follows:

Public Health: Support public health initiatives by funding COVID-19 mitigation efforts, medical expenses, behavioral health care, and certain public health and safety staff costs.

Economy: Address negative economic impacts caused by the public health emergency including economic harm to workers, households, small businesses, impacted industries, and the public sector.

Hardest Hit: Serve the hardest-hit population and families by addressing health disparities and social determinants of health, investing in housing and neighborhoods, addressing educational disparities, and promoting healthy childhood environments.

Public Sector: Replace lost public sector revenue due to the pandemic and use this funding to provide government services.

Essential Workers: Provide premium pay for essential workers to support those who have borne and will bear the greatest health risk because of their service in critical infrastructure sectors.

Infrastructure: Invest in water, sewer, stormwater, and broadband infrastructure making necessary expenditures to ensure access to clean drinking water, support vital wastewater and stormwater infrastructure, and expand access to broadband.

Unlike many grant programs, ARPA relies on the grantees to organize their own use of funds within the framework laid out in the Interim Rule rather than rigidly defining projects through an application review process. This means that there are nearly as many approaches to determining allocations and managing

use of the funds as there are communities receiving them. Even in our immediate region, there are numerous and varied approaches and philosophies guiding use of ARPA dollars.

Here in Appleton, we set out with some guiding principles as our process got underway in May:

- ARPA funds are taxpayer dollars and must be stewarded transparently and with care
- Community input will serve as a guiding force in our use of the funds
- Established budget policies and practices will be used to govern the allocation of funds – this means the Common Council will approve final allocations
- ARPA represents an opportunity to both support City operations and community needs – we will seek to strike a balance between these in the recommendations we develop
- ARPA funds will not be used to hire new City employees
- Compliance with the Interim and Final Rules must be maintained
- Collaboration and coordination with neighboring municipalities and other levels of government is essential to avoid duplication of effort and to maximize use of funds to serve residents

Between May 2021 and the end of August 2021, we undertook a process of understanding community and organizational needs. We did so by establishing an internal ARPA allocation working group and discussing needs with every Department Director; gathering input from community stakeholders; holding discussions with local school districts, governments (municipal and county), and partner organizations; soliciting feedback internally; reviewing current funding opportunities to identify areas of need; and calculating lost revenue per regulatory guidance.

Through this process, two broad categories of uses have emerged:

Determined Initiatives (Category 1) – these are initiatives and uses that are largely defined, within the City’s control, where rapid deployment is manageable and/or necessary. This category is being brought to the Finance Committee for recommendation as a 2021 budget amendment to facilitate immediate use of funds.

Priorities Needing Definition (Category 2) – these are priorities that surfaced through the input gathering, but that need further definition, process development, and proposals for specific projects and uses. This category is outlined in the 2022 Executive Budget and Service Plan and is expected to take shape through additional community input, staff program development and strategies, and Common Council reviews and approvals in the coming months.

For purposes of the October 11 Finance Committee meeting, this memo will focus on the Category 1-Determined Initiatives, to be brought forward as a 2021 budget amendment. To that end, **staff recommends the following allocations and spending authorization for a portion of the total ARPA allocation:**

COVID-19 Response	<i>With nearly all of the previous funding for COVID response allocated and/or spent, this portion will ensure the City can continue to effectively respond to the pandemic in areas similar to CARES Act activities and costs, such as personal protective equipment; contact investigation; disease mitigation; testing and vaccination operations; and personnel expenses for public health, safety, and other staff responding to the pandemic. Excess balance of this line at the end of the ARPA spending period would be allocated to lost revenue.</i>	\$1,991,841
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Lost Revenue	<i>Municipalities are allowed to use ARPA funds to supplement lost revenue in accordance with a formula provided by the Treasury Department. Appleton would be eligible for just over \$10M in lost revenue based on the formula, however, this recommendation covers only the lost revenue most affecting City operations: Parking Utility Revenue. This estimates a portion of the lost revenue over the eligible ARPA spending period.</i>	\$1,500,000
Lead Service Line Abatement & Sewer/Water Infrastructure	<i>Appleton has been making progress on removing and replacing known public lead water service lines in the City through a multi-decade effort. Staff believes this allocation would enable abatement of all known remaining public lead service lines in the City of Appleton. If there are any remaining funds after lead service lines are addressed, those funds would be directed to eligible sewer/water infrastructure projects.</i>	\$1,000,000
Broadband Access & Information Infrastructure	<i>Broadband access and information infrastructure is a priority of ARPA. Appleton proposes to use this portion of funds to leverage and enhance an existing project, the Library renovation and expansion, to provide better internet and information access to our residents through that facility as a hub.</i>	\$2,000,000
Short-Term Direct Community Partner Support	<i>While much of the support for community partners and initiatives will be handled within Category 2 priorities, there are immediate needs from community partners on a variety of fronts. This support will focus on not-for-profit organizations that bolster the local economy, community wellness, and pandemic recovery. Development of a simple grant application and compliance criteria will be necessary for this allocation.</i>	\$250,000
Consulting & Administration Support	<i>Category 2 initiatives will require significant process development, community input facilitation, coordination with other ARPA funding recipients, performance documentation, Common Council reporting, and ongoing compliance activity to accomplish. These funds will support administration of those activities.</i>	\$150,000

Total \$6,891,841

The City of Appleton will follow established budget policies and procedures, including detailed reporting, in using these funds. Furthermore, the City, as an ARPA recipient, is required to submit regular reports to the Treasury Department on funding use and will be required to do so for many years to come.

The total of this recommendation amounts to just under half of the City's total ARPA allocation of \$14,891,841. The second category is outlined on pages 69-73 in the 2022 Executive Budget and Service Plan. Initiatives described in that portion of the plan covering \$8 million of the City's allocation cover the

range of community suggestions and known needs, however, they do not detail projects as further process will be required to bring forward specific recommendations. Additionally, following further definition of the priorities, potential collaborations in that set of initiatives will take time to develop.

Ultimately, all ARPA-related spending will be merged and tracked in the Budget and Service Plan in the years to come. The initial approach of 2021 Budget amendment/2022 Executive Budget recommendations reflects the need to immediately use a portion of the funds, while allowing additional time for the planning and process development required for the other portion of the funds.