

June 17, 2021

TO: Mayor Julie Moore Wolfe & Members of the Decatur City Council  
FROM: Scot Wrighton, City Manager  
RE: Discussion of Relief Fund Allocations

The City Council has given preliminary direction to the City Manager regarding federal funds allocated to Decatur at the April study session. The American Rescue Plan (ARP) designates \$33.8 million to Decatur over a two-year period. All federal dollars are subject to rules created by both the federal government and in some cases the state, as with the original CARES money (CURE when allocated by the State of Illinois). In some cases, ARP funds are more flexible, and the U.S. Treasury has given additional guidance as to how those funds can be used.

ARP funds **cannot** be used for the following:

- Pensions
- Rebuilding General Fund Reserves
- Tax Relief
- Demolition and Debris removal

ARP funds **can** be used for the following:

- 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;
- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- 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
- To make necessary investments in water, sewer, or broadband infrastructure.

During the April study session, the City Council tentatively decided to use the ARP funds for water, sewer, broadband and revenue replacement. However, given new flexibility under the Treasury rules, the council may want to revise how those dollars are allocated.

Since the April study session, staff has determined that the city will only be able to spend approximately one million dollars in broadband improvements in the next year, regardless of how much council allocates to the project. In addition to the time needed to design, build and deploy additional broadband, contractors and fiber materials are currently in short supply, as both state and federal governments have made broadband expansion a key policy priority. Broadband expansion is included in President Biden's Jobs and Infrastructure program, so additional dollars could become available from other governmental sources for broadband.

While the replacement of old lead water service lines could be funded through our ARP allocation, there are reasonable expectations that additional money may be available through the state and federal governments for this purpose too, because it is a priority project for both the Pritzker and Biden administrations. So it is recommended that the city continue replacing these antiquated water lines only when we are conducting parallel construction projects.

A list of water and sewer projects has been updated and is attached. Staff believes that the first three projects on the list are of the highest priority for ARP funding consideration.

The city has received the first installment of \$16,911,068. It has been deposited into a special ARP fund until council finalizes decisions on how it should be expended.

ARP funds can also be used for revenue replacement, but the federal government prefers that this transfer happen only once each year, prior to July 1<sup>st</sup>, for the previous calendar year's revenue losses. So staff plans to make this one-time transfer this month for 2020 losses.

Under the new Treasury rules, some of the ARP "housing assistance" allocation can go toward neighborhood revitalization and housing projects. Also attached is a memo discussing possible housing assistance expenditures that are ARP-eligible.

Because the ARP rules will continue to change (in ways that could impact allocation decisions for the 2022 ARP allotments), there is a possibility that the city could be required to make progress on spending the first half of ARP funds before the second half is transferred in 2022. For this reason, the speed with which a project can be readied for bidding and construction should be one factor used in determining when and where to authorize ARP funding.

Based on these considerations, it is recommended that the City Council consider allocating its 2021 ARP funds into the following five (5) categories, and for the amounts listed:

1. Water and sewer capital (See the first three projects from the attached water/sewer list. These 3 projects total \$34.7 million, but it is recommended that \$9 million be allocated to these in 2021, and an additional amount for water and sewer be allocated in 2022).
2. Revenue replacement as per the formula set forth in Treasury Department guidelines (between \$3 and \$4 million in 2020). The amount of revenue replacement to be transferred in 2022 for 2021 losses is unknown, but it will likely be substantially less than the city's 2020 losses.
3. The city's investment in broadband can be enlarged beyond what the council recently awarded for broadband extensions. However, the time required for design and bidding, and delays due to material shortages, mean that no more than \$1 million can be spent in the next 12 months.
4. Eligible housing rehabilitation, and new housing projects as set forth in the Treasury Department guidelines, is eligible (See attached memo from Cordaryl Patrick describing \$7 million in possible revitalization expenditures over the next three years. It is recommended that \$2 million be allocated in 2021 and the balance in 2022).

5. Other eligible COVID-impacted expenditures where the City Council believes there is a compelling public interest served by making one-time contributions to eligible recipients. If they submit a plan for sustaining their operations moving forward, this could include an entity such as the Children's Museum of Illinois, which was closed for 13 months of the pandemic, and is a unique attraction that draws visitors not only from Central Illinois but from out-of-state, and without substantial financial help they might cease to exist. It could also include other COVID-impacted expenses summarized below.

This 5<sup>th</sup> category of expenditures could also include one-time grants "to aid impacted industries such as tourism, travel, and hospitality," particularly if the Council restricts this to supporting "the safe reopening of tourism, travel and hospitality industries that were closed during the COVID public health emergency," and further restricts funding to entities that might not continue to exist without some one-time ARP funding to get them back on their feet, and that submit a plan for their future sustainability. This 5<sup>th</sup> group could also include funding to DOVE and/or the United Way to support rent, mortgage and utility assistance payments, in the event city efforts to cut through unnecessary HUD regulations are not successful (see attached letter from Congressman Davis), administrative funds to manage ARP properly, and it could also include funds for additional virus testing, public information to encourage and fund vaccination, other public health measures directly related to COVID, etc. It is recommended that, in the aggregate, this 5<sup>th</sup> expenditure category comprise about \$500,000. The City Council has separately determined to allocate a portion of CARES money toward food assistance and to back-up social service agencies to mitigate the effect of future evictions.

Prior to ARP, relief funds approved by Congress and the President in calendar year 2020 included: 1) CARES money routed through the City for use by external agencies only, including funds distributed to small businesses, funds allocated (by council agreements) to the CICD, DOVE and in the future to other agencies acting as sub-grantees; and 2) CURE reimbursements to the city for unbudgeted COVID costs, and budgeted one-time police and fire payroll costs. At the April Study Session, the City Council tentatively decided to allocate a \$2+ million one-time CURE reimbursement as follows: 50% for demolition/property acquisition/debris removal in support of the city's neighborhood revitalization initiative; 25% for rebuilding the city's General Fund reserves; and 25% for special projects such as police vehicles and the funding gap for Fire Station #7. These allocations have not yet been finalized in the form of an ordinance amending the budget. Allocation decisions of the City Council (for 2020 CURE and 2021 ARP funds) will be formalized in an ordinance amending the 2021 municipal budget. Council action to allocate the 2022 ARP funds should be formalized through adoption (in the Fall of 2021) of the 2022 budget.

A link to U.S. Treasury Department rules for use and administration of ARP funds follows:

<https://bit.ly/3vv7E8t>.