


July 29, 2021

TO: Mayor Julie Moore Wolfe & Decatur City Council Members

FROM: Scot Wrighton, City Manager 

RE: Ordinance Amending FY 2021 Budget, Allocation of CURE/ARP and other Unanticipated Revenues, Assignment of New Expenditure Categories

On May 14 and July 6 of this year, the City Council discussed and gave direction to staff about how it wanted to allocate reimbursed General Fund revenues from CURE payments, and the 2021 installment of ARP funding. These comparatively large changes to the current budget are the primary subject of the amending ordinance now presented for council action. The proposed ordinance reflects the direction provided by the City Council on May 14 and July 6, 2021 concerning the use of reimbursed CURE funds and ARP funds.

First, regarding ARP, after including the uses tentatively approved by the City Council during previous meetings, more than \$1.7 million remains unallocated. This number differs from the expected remainder because the amount of ARP revenue replacement is less than expected. The amount of revenue loss reported to the City Council during the pandemic reflected the 2020 budget shortfall. But the Treasury Department's replacement revenue calculation method requires that the claimed amount be based on the difference between the 2019 and 2020 actual revenues. In short, the unallocated ARP monies increased because we are claiming less revenue replacement. It is recommended that this unallocated amount remain in ARP Fund 99 and in reserve until the City Council determines other ARP-eligible uses for these funds.

Second, regarding reimbursed CURE funds, the city received \$3,140,263 in CARES State distributions ear-marked for local government. In May, I projected that about one-third of this amount would be spent on COVID eligible expenses that were not included in the budget, and that the other two-thirds was to be returned to the city as reimbursed public safety payroll costs and could thereafter be re-allocated. In fact, we now estimate that COVID expenses will be \$1,437,726 (45% instead of 33% of the total). This means that reimbursed General Fund costs available for reallocation are \$1,702,537. In May, the council directed that these monies be reallocated one-half to land acquisition/derelict building demolition/& site clearing, one-quarter to fire station and other equipment costs, and one-quarter to rebuilding General Fund reserves. I have altered this distribution slightly in the proposed ordinance because funds have been set aside in both the CURE reimbursement and ARP reimbursement for equipment costs and fire station costs in the amount of \$850,000 in the aggregate, and because ARP-funded one-time public safety expenses will include some capital and equipment expenses. An additional allocation for demolition/land acquisition and clearing costs is set at \$1 million, with the remainder to be applied to improving the General Fund reserve.

ARP monies cannot be used for demolition, clearing and property acquisition. CURE reimbursements *can* be used for demolition, clearing and property acquisition, as can re-purposed ARP monies used for revenue replacement. So the total amount of ARP and CURE monies to be applied to neighborhood revitalization in the proposed ordinance is:

\$1,000,000 from CURE reimbursements for demo/land/clearing
\$1,074,608 from ARP revenue replacements for demo/land/clearing
\$2,000,000 for housing assistance programs (ARP year #1 only)
\$4,074,608 TOTAL

It is proposed that the remaining \$1 million in ARP revenue replacement be allocated in equal measure to deferred equipment replacement (\$500,000) in all operations departments, and for one-time expenses in the Police and Fire Department (\$500,000).

The \$9 million allocation for water and sewer has been divided between two projects: the South Water Treatment Plant ClariCones and westside sewer separation projects.

The proposed budget amendment also includes authorization for expenditure of \$1,190,000 for relief funds that were awarded to external small business recipients by the CARES Act. These grant funds have already been distributed to recipients in accordance with the conditions of the council-approved grant agreement.

The proposed ordinance, and the strategy outlined by this memo, provide funds where the City Council has informally directed them; but it also sets aside a significant amount of Federal Relief monies for future uses where the entire council has not yet determined whether and to what extent they want to provide additional assistance using ARP funds.

The city of Decatur now operates under the Budget Ordinance provisions of State Statute. This gives the City Council more flexibility in the management of its budget, and it is no longer necessary to approve an appropriations ordinance. Instead, the adopted budget provides authorization for both expenditures and revenues in one balanced document. One feature of this flexibility is that over-expenditures in departmental line items can be offset by under-expenditures in the same departmental budget, so long as these variances are reconciled before the end of each fiscal year. So every December, the City Council's agenda now includes a budget reconciliation ordinance. This will occur in December 2021 as well, despite council action now on an ordinance to formally amend the budget, because year-end budget reconciliation adjusts comparatively small changes to the budget prior to the end of the fiscal year. But the City Council should still act to formally amend the 2021 budget when large structural changes in the city's financial plan are required, so that the proper council authorizations are in place.

City of Decatur
Budget Ordinance Amendment
2021

Available Funding Note				Already Committed	Available
	\$ 16,911,068		ARP funding	-	16,911,068.00
		\$ 1,437,726	CURES grant spending	1,437,726.00	-
		\$ 1,702,537	CURES grant reimbursed to GF		1,702,537.49
	\$ 3,140,263		CURES grant total		1,702,537.49
	\$ 1,190,000		CURES ES community development	916,700.51	273,299.49
Total	\$ 21,241,331			2,354,426.51	18,886,904.98

Fund	\$ Amount	Comment	Transfer to	Available
ARP Funding				
4	\$ 6,000,000	Water Claricone project		
5	\$ 3,000,000	Sewer west side separation project		
6	\$ 1,000,000	Broadband fiber expansion		
7	\$ 2,000,000	Housing assistance programs		
8	\$ 450,000	DOVE program rent and utility assistance		
11	\$ 200,000	Grant to IL Childrens Museum		
10	\$ 2,074,608	Revenue replacement to general fund	10	
9	\$ 188,458	Revenue replacement to State MFT fund	46	
9	\$ 232,338	Revenue replacement to Local MFT fund	42	
Total	\$ 15,145,404			\$ 1,765,664

CURES Funding reimbursed to the General Fund				Transfer \$
2	10	\$ 1,000,000	CURES grant to GF for demolition expense	84 \$ 1,000,000
3	10	\$ 350,000	CURES grant to GF for fire station construction	44 \$ 350,000
	10	\$ 352,537	GF fund balance increase	
Total		\$ 1,702,537		10

CURES ES Funding community development			
14	85	\$ 1,190,000	CURES ES community development external recipients
Total		\$ 1,190,000	

General Fund revenue replacement			
2	10	\$ 1,074,608	Demolition expense
12	10	\$ 500,000	Police & Fire one-time expenses
13	10	\$ 500,000	Equipment
Total		\$ 2,074,608	\$ 2,924,608