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City of Alexandria, Virginia

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MEMORANDUM

DATE: JUNE 11, 2021

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: MARK B. JINKS, CITY MANAGER

DOCKET TITLE:
Public Hearing on the City's American Rescue Plan Act (ARPA) Draft Funding Priorities.

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ISSUE: Planning for the allocation of federal stimulus funding from the American Rescue Plan Act (ARPA).

RECOMMENDATION: That City Council:

(1)   Hold a public hearing regarding the consideration of potential programs/projects for developing an ARPA Spending Plan.

(2)   Discuss prioritization of potential programs/projects for the first tranche to advise staff on the development of the ARPA Spending Plan.

BACKGROUND: On March 10, President Biden signed into law the American Recovery Plan Act (ARPA) which will provide a $1.9 trillion stimulus to the US economy.

The ARPA provides funding for many programs and services nationwide. It includes benefits directly to individuals, such as recovery rebates, extended unemployment benefits, and additional assistance for Supplemental Nutrition Assistance Program. It also includes assistance to small businesses and to state and local governments as well as school districts. Some of this state and local government aid is targeted to specific categorical programs (public health activities, K-12 education, arts, early childhood education, emergency housing vouchers, public transit, etc.) and, additionally, $360 billion of this one-time aid will be directly allocated to states and localities on a formulaic basis. Through the passage of ARPA, the City will be allocated **$59.4 million** in two equal tranches (one was already directly received and the second will be received in May 2022).

Since the signing of this legislation and subsequent discussion at the March 27, 2021 City Council Legislative Session, there have been three new developments: 1) the Treasury Department released the Interim Final Rule on May 10, providing detailed guidance on the regulatory uses of the funds; 2) city staff collected community feedback on potential uses of the funds; and 3) staff prepared proposals for projects and programs. Each of these three developments are further described below.

DISCUSSION:

Interim Final Rule
Since the passage of the ARPA, City staff have been reviewing the bill and its subsequent Interim Final Rule <https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.govinfo.gov%2Fcontent%2Fpkg%2FFR-2021-05-17%2Fpdf%2F2021-10283.pdf&data=04%7C01%7CMeghan.McGrane%40alexandriava.gov%7Cb5d9c3a8b86f488a50a408d921f28c83%7Cfeaa9b3143754aeeadccc76ad32a890b%7C0%7C0%7C637578147894893444%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=7QDRbitD7g7VYP9TEERorttcB%2FzOnvR8kmv6bnFY4rU%3D&reserved=0> to determine potential qualifying uses. The obligation period is from March 3, 2021 to December 31, 2024 (45 months), though the Interim Final Rule does state that if a project has set forth award terms and a contract prior to the end of 2024, the period of performance will run until December 31, 2026.

The permitted use of the funds as stated in the law are proscribed and limited as follows:
   a)   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;

   b)   To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;

   c)   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

   d)   To make necessary investments in water, sewer, or broadband infrastructure.

The Interim Final Rule provided further clarification to the each of these uses, the most significant of which relate to (c) revenue loss and (d) infrastructure.
Revenue Loss
As noted in the Interim Final Rule, covering revenue loss is a permitted use of the ARPA funding. The revenue loss category provides the greatest flexibility and would allow the City to fund services or projects that would

not otherwise be considered eligible expenses. When calculating revenue loss, the Treasury guidance allows the City to use the last full pre-COVID year (FY 2019) with an assumed rate of growth of 4.1% to determine the revenue that the City would have expected to collect if not for the economic impacts of the pandemic (referred to as counterfactual revenue). This calculated revenue estimate is compared to the actual revenue collected for the calendar year ending December 31, 2020. The difference is considered the City's revenue loss due to Covid. The lost revenue calculation can be made over four years; the first occurring between Fiscal Year 2019 and December 2020 and three more calculations comparing Calendar Years 2021, 2022, and 2023 to the base year. The first period comparison as of December 31, 2020, shows lost revenue equal to about two-thirds of the total ARPA allocation to the City.

Infrastructure

Prior to the issuance of the Interim Final Rule, the infrastructure section of the legislation was left vague and only stated that funding could go towards "water, sewer, and broadband" projects. The infrastructure section of the Interim Final Rule, however, clarifies these potential uses, most notably stating "a general infrastructure project, for example, typically would not be included unless the project responded to a specific pandemic public health need (e.g., investments in facilities for the delivery of vaccines) or a specific negative economic impact like those described above (e.g., affordable housing in a QCT). The ARPA explicitly includes infrastructure if it is "necessary" and in water, sewer, or broadband." It continues to explain that water projects should ensure clean and safe drinking water and sewer projects should consider green infrastructure investments and projects to improve resilience to the effects of climate change, stating "green infrastructure projects that support stormwater system resiliency could include rain gardens that provide water storage and filtration benefits, and green streets, where vegetation, soil, and engineered systems are combined to direct and filter rainwater from impervious surfaces."

The Interim Final Rule notes ARPA funds can be used towards broadband projects that "are designed to provide services meeting adequate speeds and are provided to unserved and underserved households and businesses… Eligible projects are expected to be designed to deliver, upon project completion, service that reliably meets or exceeds symmetrical upload and download speeds of 100 Mbps." Assistance to households facing negative economic impacts due to COVID-19 is also an eligible use, including internet access or digital literacy assistance. In effect given Alexandria's citywide coverage (albeit under a sole provider), ARPA funds that the city has available to spend can be used for underserved households (except for revenue loss ARPA dollars).

Community Engagement

Between April 30 to May 13, the City sought feedback from the community on ARPA funding uses. The process included distribution of an online survey and two virtual public meetings, one on Saturday, May 8 and the second on Monday, May 10. Staff directly reached out to community organizations, boards, and commissions, including the COVID-19 Community Response Group, to ensure their participation and assist with information distribution.

Demographics

Through this effort, staff received feedback through the survey from over 1,300 individuals and 60 participants in the virtual meetings. This was not intended to be a statistically accurate survey methodology, and, as with any online survey, relied on self-selection of community members to respond. However, the responses were shown to be broad, reflecting a diversity of interests. Survey takers that identified themselves as residents were geographically diverse, though not representative of the city's population by zip code, as shown below:

- 22314: 24% • 22301: 29% •
- 22304: 15% • 22311: 5% • 22312: 1%
- 22302: 11%
- 22305: 14%

57% of survey respondents who identified themselves as "employees in Alexandria" noted that they work in

22314.

73% of survey respondents identified as White (not Hispanic or Latino), 6% as Black or African American, 3% as Asian and 13% preferred not to say. 3% identified as Hispanic, Latino/a/x or Spanish Origin, 1% as Puerto Rican, and 1% as Mexican, Mexican American, Chicano/a/x. The survey was offered in English, Spanish, Arabic, and Amharic. One survey was filled out in Amharic (though the open-ended question was answered in English) and four surveys were completed in Spanish.

A full breakdown of demographics can be found on pages 65 through 70 of the Community Feedback report. <https://www.alexandriava.gov/uploadedFiles/budget/info/ARPA%20Community%20Feedback_4.30-5.13.pdf>

Findings

The survey asked two quantitative questions to inform strategy on how to consider distribution of the ARPA funds across categories. Staff have used the results of the following two questions to weigh project proposals.

1. If it were up to you (and assuming each costs about the same), how would you allocate $100 among each of the following service areas? *(Note, the aggregated responses below are shown as percentages rather than dollar amounts)*

Infrastructure	19.65%	CIP	51.00%
Business Recovery & Workforce	14.01%	Human Services	25.37%
Health and Social Services	13.01%	Economic Recovery	23.64%
Housing	12.35%		
Technology	11.89%		
Cultural Art, History and Events	9.63%		
Emergency Services	8.50%		
City facility improvements	6.24%		
Government efficiency	4.71%		

2. In your opinion, should the City prioritize projects that…

	Percent	Responses
Focus on those projects that directly relate to an issue or challenge that was created or exaggerated by COVID-19	16.70%	220
Focus on projects that are a critical investment for the City's future, regardless of their connection to COVID-19	31.20%	410
There should be a balance between those projects that related to the impacts of COVID-19 and those that are a critical investment for the City's future	52.10%	684
	Total	**1,314**

The survey included one open-ended question, allowing survey takers to provide their thoughts and ideas on how the funds should be used. The results were wide-ranging, covering topics that included:

• Workforce • Arts, History, and Events • Taxes and Finance • Businesses • Housing • Health & COVID-19 • Mental Health • Domestic Violence • Equity • Assistance Programs • Family Care/Enrichment • Schools • Environment, Open Space, and Recreation • Transportation and Mobility • Technology • Stormwater • City Facilities • Emergency Services • Government Efficiency and Services • City Employees

Each individual comment is captured in the ARPA Community Feedback Report <https://www.alexandriava.gov/uploadedFiles/budget/info/ARPA%20Community%20Feedback_4.30-5.13.pdf>, available on the City's website. City staff used the information gathered through the community feedback to either make changes to a previously developed proposals or to develop new proposals.

In addition, Staff will collect feedback on the proposed programs and projects in advance of, and during, the Public Hearing on June 19.

Project and Program Proposals

As previously discussed with Council in Fall 2020, planning for recovery was initiated at the staff level with the establishment of two staff level groups, the Economic Recovery group and the Coordinated Community Recovery Plan group. In March, the City Manager assigned these teams and additional subject matter experts from various City Departments to an ARPA Staff Team.

The team divided to work in three overlapping areas: 1) review of regulations, 2) creation of a proposal submission and evaluation system, and 3) development of the community engagement process. Together, the team has followed the process below to gather and consider almost ninety program or project proposals:

1. This process began by Departments submitting potential projects and programs that had previously gone through a stakeholder vetted planning process and had been unfunded or planned for in the out years.

2. Departments then added to the list programs and projects that will address issues exacerbated by COVID-19.

3. Following the community engagement period, Departments then refined and/or added proposals based on the feedback.

4. Once the Treasury Department issued the Interim Final Rule, the ARPA Team further refined the list to ensure that proposals met the regulations.

5. The proposals were then categorized as "human services programs or projects" to be reviewed by staff that had previously served on the Coordinated Community Recovery Team, "economic recovery programs or projects" to be reviewed by staff that served on the Economic Recovery Team, and "capital improvement project" to be reviewed by the CIP Steering Committee. The Office on Equity reviewed all of the proposals. Through the review process, the staff teams considered whether the project and programs were feasible within the timeframe, had gone through a community process, furthered equity criteria, thoroughness of cost estimates and scalability, and potential any red flags.

6. Based on these considerations, the proposals were then prioritized to fit within four quadrants (see attachment #1), as shown below:

- Tier 1&2 - Projects and programs that will have the most immediate impact, are "shovel-ready," and highly important.

- Tier 3&4 - Projects and programs that are highly important but may not be as urgent or ready to address immediately (may make more sense for the 2nd tranche)

- Beyond Tier 4 - Projects that may not directly qualify for the intent of ARPA funds, may not be considered feasible within the timeframe, and/or should be considered through other funding sources.

The proposals do not show costs at this time because many of the programs and projects are scalable and can be adjusted based on City Council discussion and consideration of priorities. However, the projects do show cost by ranges.

FISCAL IMPACT:

In order to have the food distribution programs, eviction prevention programs, and other emergency safety net programs that have continued in place since the federal CARES funding ended at the end of 2020, be able to continue, City Council approved a second $1 million allocation of City interim bridge funding in February. The first allocation of $1 million in interim bridge funding approved by Council last December was expended in March. Council approved a second allocation of $1 million enabling both the food and eviction prevention programs to be able to stay in place through May. At that time, the origin of the second $1 million allocation was planned from the City's budgeted subsidy of WMATA which will be underspent in FY 2021. However, the ARPA explicitly states that funding can be used for programs beginning March 3, 2021. Therefore, the City can recoup one of the two $1 million allocation amounts through the ARPA funds.

On March 26, 2021, City Council approved $450,000 of the ARPA funds to serve as bridge funding to for the period covering April 1 through July 6, 2021 to respond to the continuing food insecurity and basic needs of residents, particularly those who do not qualify for existing federal programs, nor the ARPA categorical funding. Funding is also being used to ensure that all eligible individuals and landlords are enrolled and accessing the rental assistance resources that are currently available through navigation and outreach efforts.

In addition, on May 25, 2021, City Council approved $200,000 of the ARPA funds to be allocated towards hiring a second housing justice attorney through Legal Services of Northern Virginia and to support ongoing eviction prevention data analysis and planning.

As a result of these three funding allocations totaling $1,650,000, the available ARPA funds in the first tranche will be $28,050,000. The federal funds do not require a match and would be expended on programs that largely do not represent ongoing obligations once the federal funds are fully expended. In that these federal funds are intended to stimulate the economy, and the City's investment of these funds would be aimed at making the recipients and beneficiaries more self-sufficient, there should be a positive fiscal, economic, and tax generation impact on the City over the long term.

Some of the capital projects recommended for ARPA funding are currently fully or partially funded in the City's 10-year CIP. If ARPA funds were to be used for these projects they would accelerate project timelines or allow for the redirection of planned funding to other areas of community need.

NEXT STEPS:

Following the public hearing, Staff will further develop the draft ARPA spending plan for the first tranche of funds. City Council will consider the plan for approval on July 6, 2021.

Staff will develop the plan for the second tranche in parallel with the FY23 budget or bring forward an allocation plan in the late fall. The second tranche plan will consider proposals that did not get funded in the first spending plan, in addition to new proposals.

ATTACHMENTS:

(1) List of proposals by quadrants and descriptions
(2) Presentation

STAFF:

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