

# American Rescue Plan:

Guidance for Use and  
Plans for Community Engagement & Appropriations

JUNE 1, 2021

# U.S. Treasury Guidance – Interim Final Rule

- ▶ The U.S. Department of the Treasury issued an “interim final rule” on permissible uses of \$350 billion in state and local aid included in the recent American Rescue Plan Act (ARPA).
  - ▶ 151 Pages in length
  - ▶ Released May 10, 2021
- ▶ The “interim final rule” is subject to a 60-day public comment period
  - ▶ Allows for public comments on use restrictions before additional clarity will be provided

# U.S. Treasury Guidance – Eligible Expenditures

- ▶ Covered period is March 3, 2021-December 31, 2024
- ▶ Costs can be incurred by December 31, 2024, but must be expended by December 31, 2026
- ▶ Cannot spend funds on pension deposits
  - ▶ Pension payments as part of a “payroll contribution,” is allowed
- ▶ States and territories cannot spend the funds to reduce taxes or delay a tax increase
- ▶ May not be used as non-Federal Match for other Federal Programs

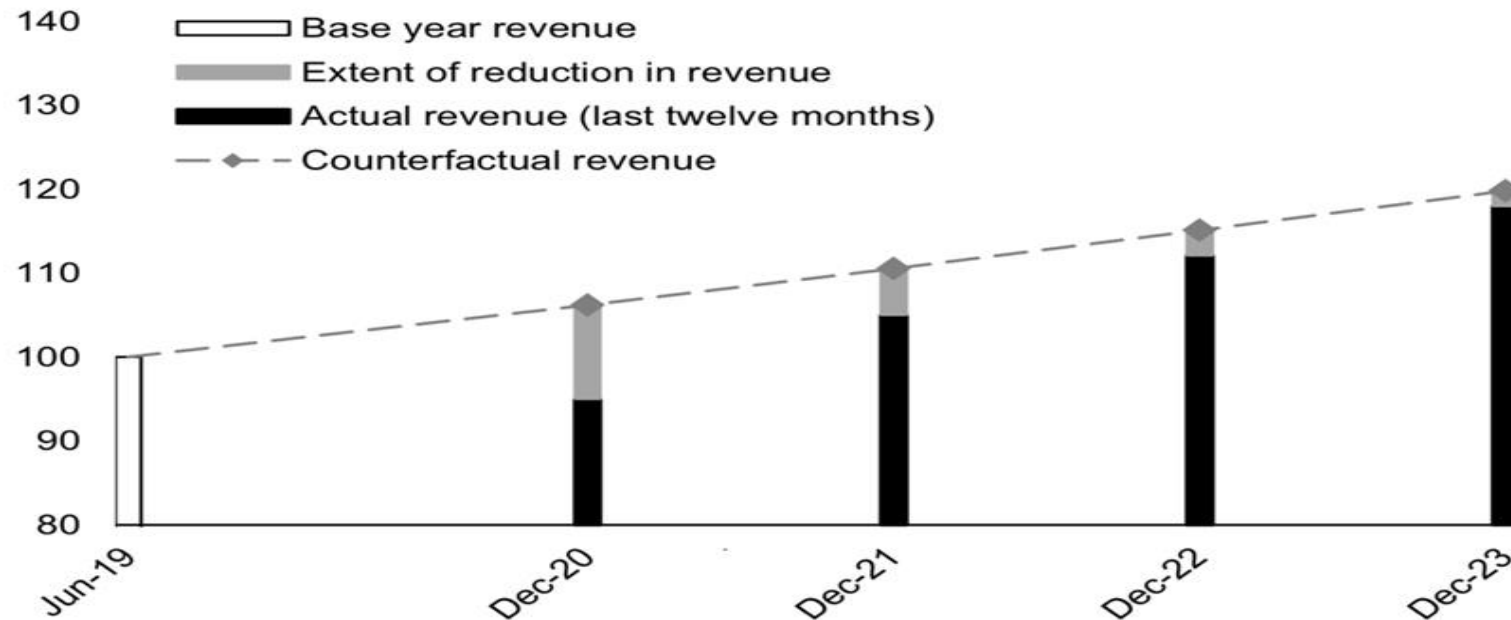
# U.S. Treasury Guidance – Eligible Expenditures

## Four Main Categories

- ▶ COVID-19 or a negative economic impact
- ▶ Premium pay for eligible workers
- ▶ For government services to the extent of the loss of revenue
- ▶ Investments in water, sewer and broadband infrastructure

# U.S. Treasury Guidance – Revenue Loss

The overall methodology for calculating the reduction in revenue is illustrated in the figure below:



# U.S. Treasury Guidance – Revenue Loss (Continued)

- ▶ Recipients should calculate revenue on an entity-wide basis
- ▶ Look at most recent full fiscal year prior to the COVID-19 pandemic (City's FY2019)
  - ▶ Recipients average annual growth of the past three fiscal years
  - ▶ Apply 4.1% growth rate or greater to annual revenues collected
- ▶ Multiplier applies to the revenue collected in each calendar year
  - ▶ Checkpoint each December 31 for actual revenues
  - ▶ Not the fiscal year!
- ▶ Compare projected growth revenue to actuals collected
  - ▶ If actual exceeds projected, collection is zero for that year

# U.S. Treasury Guidance – Revenue Calculation

- ▶ Revenue Includes:
  - ▶ Everything not specifically excluded (next slide)
    - ▶ Taxes, fees and other revenues to support public services
  - ▶ Intergovernmental transfers between state and local governments (i.e., state shared revenue)
  - ▶ Fees generated by the underlying economy
    - ▶ Component units and enterprise funds
    - ▶ Civic center, zoo, parking, ports, sports stadiums, etc.

# U.S. Treasury Guidance – Revenue Calculation

- ▶ Revenue Does NOT Include:
  - ▶ Federal transfers (even those flowing through the State)
  - ▶ Intergovernmental transfers from your entity to your entity
  - ▶ Revenues from utilities (water supply, electric power, gas supply, and public mass transit systems)
  - ▶ Refunds and other correcting transactions
  - ▶ Proceeds from the issuance of debt
  - ▶ Liquor store revenues



# U.S. Treasury Guidance – Government Services

What can the City spend it on?

- ▶ “Government services”
  - ▶ Directly provide services or aid to citizens
  - ▶ Maintenance pay go of building
    - ▶ Can use it on a capital project together with bond financed portion
    - ▶ You can start a project and you finish it with future revenues / bonds
  - ▶ Cybersecurity, Healthcare service, School or education services, Police, fire or public safety
- ▶ NOT ALLOWED:
  - ▶ NOT ON principal or interest of debt service (or settlement agreement)
  - ▶ NOT ON reserves or rainy-day funds (Budget Stabilization Fund)

# U.S. Treasury Guidance – Water/Sewer Infrastructure

- ▶ Necessary investments are designed to provide an adequate minimum level of service and are unlikely to be made using private sources of funds
- ▶ Uses aligned with Environmental Protection Agency's Clean Water Revolving Fund and Drinking Water State Revolving Fund to expedite project identification
- ▶ Building/upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines
- ▶ Invest in wastewater infrastructure projects
  - ▶ Constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works
- ▶ Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities

# U.S. Treasury Guidance – Broadband / Other Infrastructure

- ▶ Build broadband infrastructure with modern technologies in mind, specifically projects that deliver services offering:
  - ▶ Reliable 100 Mbps download and 100 Mbps upload speeds, unless impracticable due to topography, geography, or financial cost.
- ▶ Assisting households to support internet access or digital literacy is an eligible use.
- ▶ Recipients may use funds to invest in infrastructure other than water, sewer and broadband (e.g., roads and public facilities) *if the project responds to a specific pandemic-related public health need or a specific negative economic impact of the pandemic.*

# FY2022: Designated Investment Areas

Investment Area	Amount
Third Ward/NOF Equity Funding*	\$2,000,000
Violence Reduction	\$1,000,000
Additional Co-Response	\$1,000,000
Creating Affordable Housing Supply	\$5,000,000
Fiscal Sustainability	\$500,000
Employee Support	\$700,000
<b>Total</b>	<b>\$10,200,000</b>

\*Subject to participatory budget process

# Participatory Budgeting Overview

- ▶ PBP "best practice" is \$1M per 100K
  - ▶ Oakland \$785K (\$185K per 100K)
  - ▶ Durham \$2.4M (\$889K per 100K)
  - ▶ Sacramento \$1M (\$200K per 100K)
  - ▶ Grand Rapids \$2M (\$1M per 100K)
- ▶ Peer cities often use two-year cycles (infrastructure timelines)
- ▶ Focus is typically on "one-time" projects, startup costs or capital investments

# Participatory Budgeting Overview



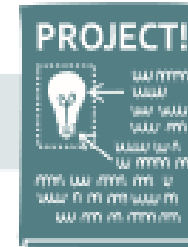
## DESIGN THE PROCESS

A steering committee that represents the community creates the rules and engagement plan.



## BRAINSTORM IDEAS

Through meetings and online tools, residents share and discuss ideas for projects.



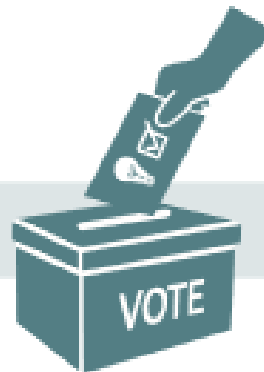
## DEVELOP PROPOSALS

Volunteer "budget delegates" develop the ideas into feasible proposals.



## FUND WINNING PROJECTS

The government or institution funds and implements the winning ideas.

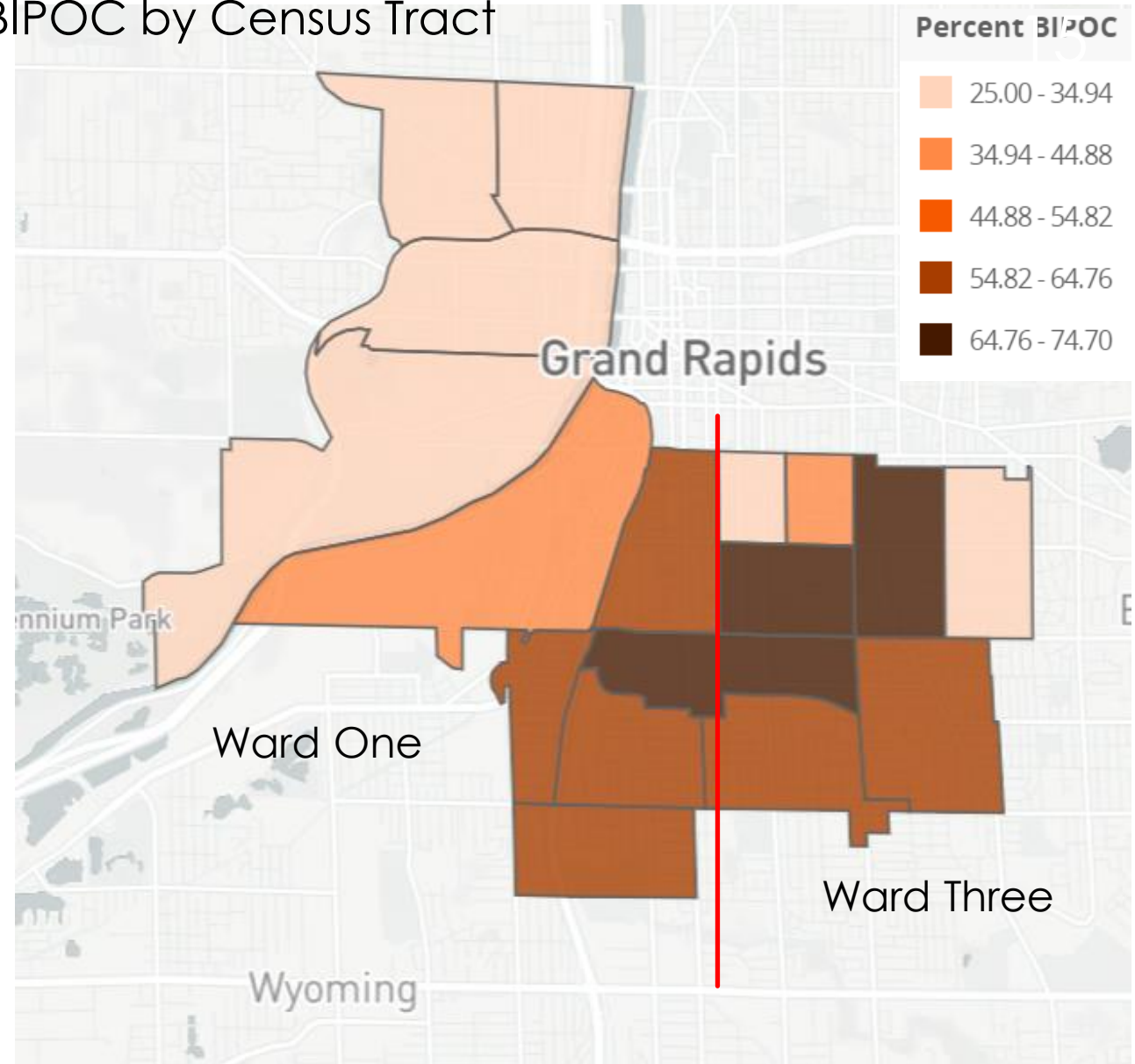


## VOTE

Residents vote on the proposals that most serve the community's needs.

# NOF Ward Demographics

## BIPOC by Census Tract



Source: 2019 American Community Survey 5-year Estimate

# NOF Ward Demographics

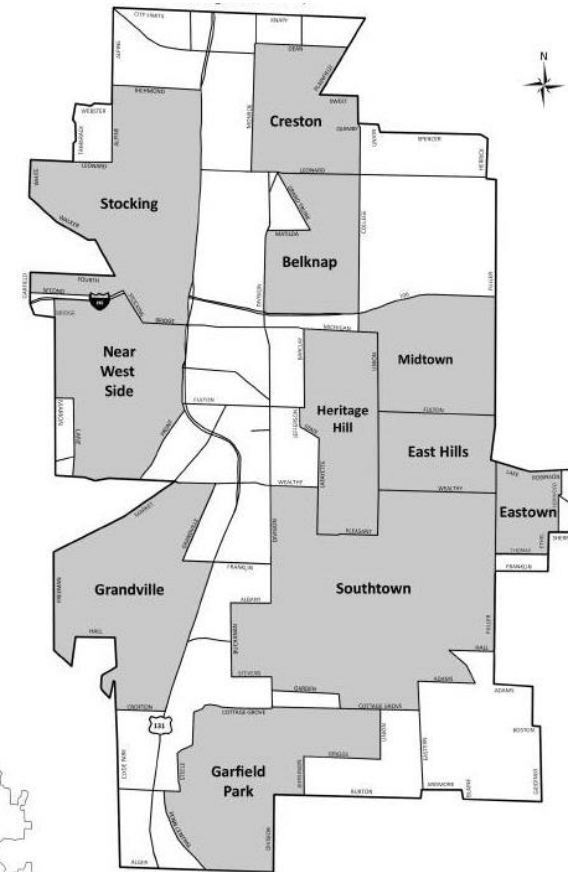
Race/Ethnicity	First Ward NOF	Third Ward NOF
LatinX	47%	16%
Black/African-American	13%	45%



# CDBG Specific Target Area (STA) Distribution

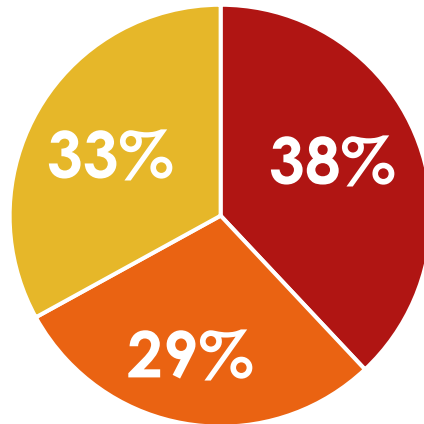
First Ward	Second Ward	Third Ward
Stocking, Near West Side, Grandville, Garfield Park, Southtown	Creston, Belknap, Heritage Hill, Midtown, East Hills, Easttown	Heritage Hill, Southtown, Easttown, Garfield Park

- CDBG: Community Development Block Grants provided by the federal government
- STAs are residential neighborhoods where at least 55% of the residents are of low- and moderate-income



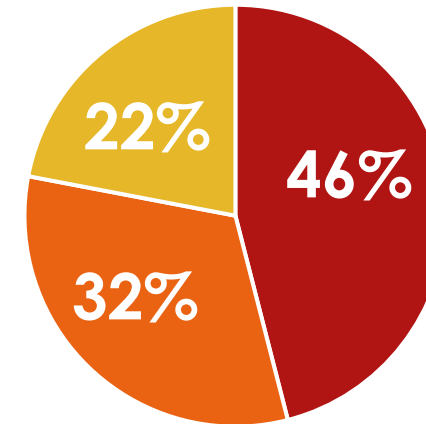
# CDBG Specific Target Area (STA) Distribution

**Population**  
(N=60,429)



■ Ward One ■ Ward Two ■ Ward Three

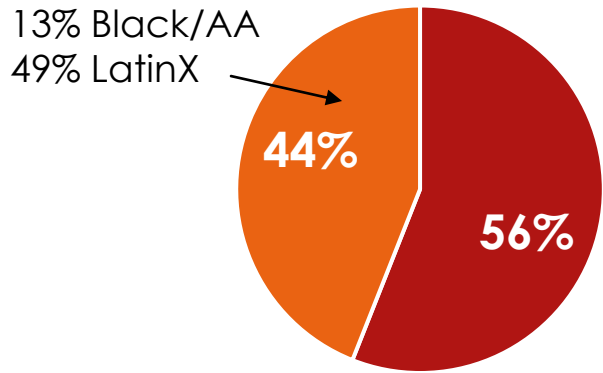
**Land Area**  
(N=8.54 sq. mi.)



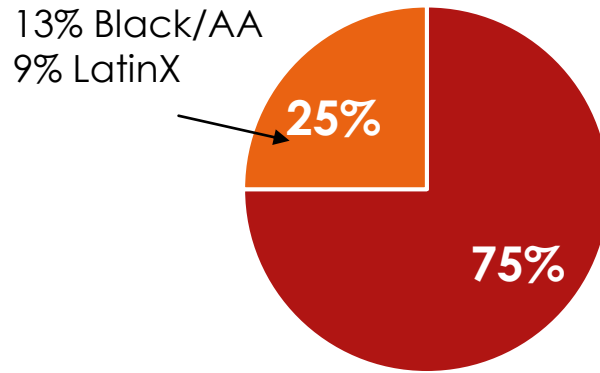
■ Ward One ■ Ward Two ■ Ward Three

# CDBG Specific Target Area (STA) Distribution

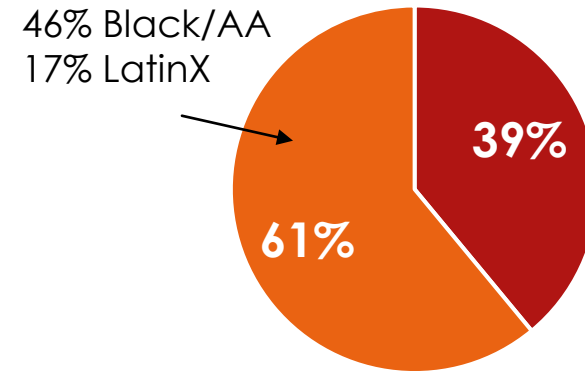
Ward One



Ward Two



Ward Three



# ARPA: Participatory Budget Pilot - Allocation

- ▶ **Recommend graduated distribution:**
  - ▶ \$1M Third Ward (\$750K base + \$250K)
  - ▶ \$600K First Ward
  - ▶ \$400K Second Ward
- ▶ **Not restricted to Neighborhoods of Focus or CDBG target areas**
- ▶ **Allows for investment in known neighborhoods/areas of need that may not qualify for traditional CDBG or NOF-specific programs**

# ARPA: Participatory Budget Pilot - Structure

- ▶ **Identify steering committee(s)**
  - ▶ Standardize structure by Ward
  - ▶ One appointee per Commissioner + One Mayoral appointee (Three total per Ward)
- ▶ **Conduct Engagement/Idea Generation**
  - ▶ Identify specific priority areas/buckets for investment (next slide)
- ▶ **Steering committee refines top ideas/proposals**
- ▶ **Community votes/selects project(s) for funding**

# ARPA: Participatory Budget Pilot - Process

- ▶ **Use five defined priority areas (by Commission + ARPA) to help guide engagement/solicitation of ideas**
  - ▶ Violence Reduction (Commission)
  - ▶ Public Safety Co-Response (Commission)
  - ▶ Housing Affordability (Commission)
  - ▶ Broadband Access (ARPA)
  - ▶ Economic Impacts from COVID (ARPA/Commission)
- ▶ **Focus on one-time or time-limited activities/projects that can be implemented by 6/2023**

# ARPA: Participatory Budget Pilot - Process

- ▶ **Define structures & processes for engagement (options)**
  - ▶ Contract with Neighborhood Associations, Community-Based Organizations or other Micro-Local Business Enterprises (MLBE) to assist/facilitate
  - ▶ Host in-Ward events/activities or piggyback on planned events or association meetings
  - ▶ Virtual engagement (ideas/prioritization/voting)

# ARPA: Participatory Budget Pilot - Timeline

Action	Responsible	Timeline
Form steering committees	City Commission	June 1-11
Plan and conduct initial engagement	Steering Committee + Public	June 12-July 18
Refine final concepts for vote	Steering Committee + Staff	July 19-August 8
Public voting & selection	Steering Committee + Public	August 9-29
Commission adoption	City Commission	September
Project implementation	Staff + Steering Committee	September 2021-June 2022*

\* - infrastructure investments may require a two-year schedule, through June 2023



# Recurring Participatory Opportunities

<b>Citizen Commission/Board</b>	<b>Investments</b>	<b>FY22 Funding</b>
Mobile GR Commission	Citywide Mobility	\$18 million
Vital Streets Oversight Commission	Street Improvement Projects	\$30.9 million
Stormwater Oversight Commission	Stormwater Infrastructure	\$4 million
Parks & Recreation Advisory Board	Parks Infrastructure	\$14.1 million
CIA, Brownfield Authority, DDA, etc.	Redevelopment & Neighborhood Improvement	~\$43 million

# The Road Ahead: FY2023 Budget

## ▶ 2021

- ▶ CFO updates on financial performance as needed throughout FY2022
- ▶ September: FY2021 Annual Performance Management Report
- ▶ Late October: Commission Prioritization Workshop & Year-End Fiscal Review
- ▶ See individual board and authority schedules for meetings to provide public input – see City Budget Website
  - ▶ i.e., Stormwater, GR Mobile, Vital Streets...

## ▶ 2022

- ▶ February: FY2022 Mid-year Performance Management and Financial Update
- ▶ April: FY2023 Budget Introduction
- ▶ May: Public Hearing and Adoption for FY2023 Budget