

**CITY OF LEXINGTON
WORKSHOP AGENDA
Thursday, August 19, 2021
Immediately following Council meeting
City Hall**

1. Call to Order: Mayor Murphy

2. Roll Call: DeVries – Harris – Hughes - Winge

3. Discussion Items:

A. Discuss 2022 Preliminary Budget

pp. 1-9

B. Discuss American Rescue Plan Act Funds (ARPA)

pp. 10-22

4. Staff Input

5. Council Input

6. Adjourn

To: Mayor Murphy and City Council
From: Bill Petracek, City Administrator
Date: August 14, 2021
Re: 2022 Preliminary Budget Discussion

The 2022 Budget is going to be a difficult process and may even be a bit painful to the Lexington tax payers as the cost of providing services in the City of Lexington is going up and the City will need to work toward increasing the General Levy over the next few years to offset these costs. The General Levy is the revenue source that primarily funds your operations and maintenance budgets for the police, fire, public works, and administration departments.

The Good news:

1. We continue to add a considerable amount of taxable market value to our community with the addition of the multi-family housing complexes, O'Reilly's Auto Parts, and the new manufactured homes in Parkview. Any General Levy increases that are approved will be dampened by this increased in tax valuation.
2. The liquor store continues to have higher than normal revenues and profits.

The Bad news:

1. With the additional population increase – estimate 2647 population - in Lexington, the City will be required to take on more of the responsibility of the police department's annual budget. This increased amount is reflected in the 2022 CLPD budget, which amounts to an increase of \$87,500 to our general fund budget. This population will continue to increase as the new multi-family buildings are completed. Our police call volume will continue to increase, as well. This will also affect our obligation to the CLPD budget, but not as much as the population increase.
2. The CLPD budget had an 8.61 percent overall increase this year – refer to Chief Mork's memo for details on these increased expenditures for 2022.
3. The fire departments proposed budget is going up 10- 15 % due to increased personnel costs – we will have more discussion at the workshop.
4. The new apartment complexes, O'Reilly's, and new homes in Parkview will not be include on the tax roll until the 2022 Tax year for the 2023 budget; consequently the 2022 budget will need the levy increase to balance the revenues and expenses without the added tax valuation.

5. The fees that we collect off the development we are having: Park dedication fees, building permit fees, sewer and water connection fees, zoning fees, etc will end as the development of these new buildings ends. In addition, this temporary revenue source has helped us balance our budgets over the past 3-years. We will need to compensate for in the budget process with an increase in the General Levy.
6. We are recommending transferring more funds than normal from the liquor store fund - \$275,000 – to help balance the 2022 budget. We are becoming too dependent on this revenue source to balance our annual budget and should work toward being less dependent on this revenue source by continuously adjusting our General Levy upward over in the future.
7. We are recommending that the preliminary levy to be set at 7%. Based on the preliminary budget numbers, we will need to increase the General Levy to 4-5% for the 2022 budget. We will have more discussion at the workshop.

To: Lexington Mayor and Council Members
From: Bill Petracek, City Administrator, Hristo (Chris) Galiov, Finance Director
Date: August 13, 2021
Re: Preliminary Budget Discussion

Proposed Budget Highlights

I have attached for your review summaries of the preliminary proposed expenditure budgets, a Budget Calendar, and proposed capital improvement purchases.

I. Proposed Levy Increase

1. We propose a preliminary General Fund levy increase of 7%.

II. Capital improvement projects – General Fund

Administration

1. No capital projects are planned.

Fire

1. HVAC Replacement - **\$8,000.00**
 - replace old and malfunctioning HVAC system.
2. Benefit level increase for the Volunteer Firemen Relief Association –
 - a. **\$5000/year/firefighter** **\$9,300.00**
 - b. **\$5,500/year/firefighter** **\$22,500.00**
 - This increase is to align the benefit level with other department in order to improve recruitment

Streets

1. Street Improvements – North Highway Drive between Woodland Road and Hamline Ave.
 - a. Costs TBD

Parks

1. Completing the improvements at Memorial Park –
 - To complete the 2021 project – estimated costs TBD

2. New tractor, mower deck and hopper- **\$45,000.00**
 - to replace very old equipment that is prohibitively expensive to repair; to be allocated between Parks and Streets departments.
3. Memorial Park Improvements:
 - Manually operated watering system to be used in extreme drought – **\$7,000.00**
 - Replacement of trash and recycling bins due to age and wear - **\$4,500.00**

Tree disease control

- 1 New item to fund tree disease control – **\$5,000.00**

III. Capital improvement projects – Enterprise Funds

Liquor

1. Replace flooring - **\$55,000.00**
 - the current flooring to be replaced with vinyl planks due to age
2. Replace shelving - **\$80,000.00**
 - needed for new products and increased sales
3. Interior painting - **\$15,000.00**
 - to improve the store image

Storm Water

1. Catch Basins Rehabilitation - \$ 3,500.00 per item
 - Public Works would like to rehabilitate about two – to five per year due to the advanced stage of deterioration.

Water

- No items proposed

Sewer

1. Jetter Vaccum Truck - **\$75,000.00**
 - to be used for emergencies; the current equipment is inoperable

Budget Calendar
as of July 1, 2021

July 1, 2021	Finance Director prepares and distributes budget worksheets and instructions for departments/department heads.
July 19-30, 2021	City Administrator/Finance Director to conduct budget assistance meetings if necessary with departments/department heads.
August 2, 2021	Budget requests and supplementary information are due from departments/department heads.
Before August 1, 2021	Department of Revenue notifies cities of LGA amounts projected for 2022.
August 2021	Budget workshops held with City Council as needed.
August 16-27, 2021	City Administrator/Finance Director meet with departments/department heads to discuss and review recommended budget and associated changes.
September 1-9, 2021	Finance Director makes final changes for the Proposed Budget.
September 16, 2021	At the Council meeting, the public hearing date on the proposed budget and proposed tax levy are approved by the Council.
By September 30, 2021	City Administrator/Finance Director certifies preliminary levy and hearing date to Anoka County.
October/November 2021	Additional budget workshops held with City Council as needed
November 2021	County Auditor mails tax notices to each taxpayer.
December 3, 2021	Initial Truth-In-Taxation Hearing on 2022 Budget & Levy and adoption of the 2022 Budget and Levy.
December 3, 2021	Final adoption date of the 2022 Budget and Levy.

Budget Process

One of the most important activities undertaken each year by the City is the budget process. The quality of decisions made in the budget process conveys the City's long-range plans and policies for current and future services.

The budget is a financial, planning, and policy document which reflects the allocation of limited revenue among competing uses and serves as a guide for the various departments in implementing their goals and objectives.

Annual budgets are adopted for the General, Capital Projects, Debt Service, and Proprietary Funds. Within the General fund, budgets are prepared for each major department. For example, Elections, Administration, Fire Department and Streets are departments within the General fund.

Budgeted amounts are reported as originally adopted. Budgeted expenditure appropriations lapse at year-end. The City's department heads may make transfers of appropriations within their department. As better information becomes available, the budget may be amended by the City Council. The budgetary level of control is at the department level.

The budget process is a year-round activity because regular reporting is necessary to provide accountability, understanding, and confidence in the City. The City provides different types of reporting to facilitate this process. These reports include: monthly department reports, monthly capital project reports, monthly cash balances reports, budget document, and an audited comprehensive annual financial statement.

The City follows the procedures below in establishing the budget:

The annual budget process begins in July of each year. Budget worksheets are supplied to all City departments/departments heads. The City Administrator/Finance Director conducts budget assistance meetings (if necessary) with departments/department heads. Budget requests and supplementary information from all departments/department heads must be received by early August. The City Administrator/Finance Director meets with departments/department heads to discuss budget requests. Total budget requests are compared to revenue estimates to ensure that there is funding available to fund the proposed expenditures. Budget workshops are held with the City Council and citizens interested in participating in the budget process. The City Administrator/Finance Director meets with departments/department heads to discuss and review recommended budget and associated changes. In early September, the City sets the preliminary levy and the public hearing information, which is forwarded to the County Auditor by September 30th each year. In September-October, additional budget workshops are held with the City Council (if necessary). The County mails parcel specific tax notices in November to property owners providing taxes due the following year based on the preliminary levy. A budget and levy hearing is held in December in accordance with State law. The budget and tax levy are adopted through passage of resolutions.

2022 PRELIMINARY SUMMARY REVENUE BUDGET


Account	Description	2019 Actual	2020 Actual	2021 Budget	2022 Preliminary
FUND 101	GENERAL FUND	\$1,956,526.63	\$2,183,141.23	\$2,165,477.93	\$2,257,902.7
FUND 220	LOVELL BUILDING	\$23,163.35	\$7,234.56	\$0.00	\$0.0
FUND 229	CARES ACT/ARPA FUND	\$0.00	\$158,893.00	\$0.00	\$140,313.0
FUND 310	CAPITAL PROJECTS	\$365,984.20	\$331,440.91	\$248,000.00	\$271,000.0
FUND 320	TIF 1-3	\$0.00	\$7,989.29	\$166,459.00	\$256,814.0
FUND 405	PARK DEDICATION FUND	\$3,767.49	\$86,522.29	\$24,000.00	\$0.0
FUND 417	17 STREET IMPROVEMENTS	\$937.99	\$298.31	\$0.00	\$0.0
FUND 418	18 LAKE DRIVE	\$4,458.49	\$69.37	\$0.00	\$0.0
FUND 419	19 STREET IMPROVEMENTS	\$0.00	\$99,179.22	\$2,535.87	\$2,296.0
FUND 421	21 STREET IMPROVEMENTS	\$0.00	\$0.00	\$213,200.00	\$0.0
FUND 551	16 NORTH METRO GO	\$4,125.51	\$4,146.18	\$4,071.00	\$4,089.7
FUND 585	04 STREET - OAK LANE	\$158.70	\$15,090.60	\$0.00	\$0.0
FUND 591	14 STREET - VARIOUS	\$26,877.47	\$20,201.01	\$78,389.29	\$75,995.1
FUND 592	15 STREET - VARIOUS	\$248,971.12	\$127,141.14	\$110,713.91	\$107,238.6
FUND 599	POLICE BUILDING	\$63,816.11	\$62,338.26	\$0.00	\$0.0
FUND 609	MUNICIPAL LIQUOR FUND	\$3,220,670.76	\$4,262,488.14	\$3,355,700.00	\$3,826,650.0
FUND 651	STORM SEWER FUND	\$26,687.18	\$48,836.33	\$48,200.00	\$57,405.2
FUND 730	WATER FUND	\$160,842.35	\$279,134.78	\$222,000.00	\$260,000.0
FUND 770	SEWER FUND	\$244,302.81	\$356,743.15	\$294,000.00	\$318,000.0
ALL FUNDS		\$6,351,290.16	\$8,050,887.77	\$6,932,747.00	\$7,577,704.7

2022 PRELIMINARY SUMMARY EXPENDITURE BUDGET

Account	Description	2019 Actual	2020 Actual	2021 Budget	2022 Preliminary
FUND 101	GENERAL FUND				
Dept 41110	Council	\$17,331.88	\$18,910.43	\$26,386.00	\$26,336.00
Dept 41300	Mayor	\$5,062.67	\$5,795.12	\$8,235.50	\$7,910.50
Dept 41330	Boards/Commissions	\$4,004.88	\$12,487.38	\$13,563.90	\$13,563.90
Dept 41410	Elections	\$2,195.97	\$15,425.84	\$2,702.38	\$13,896.07
Dept 41500	Administration	\$399,533.03	\$655,787.19	\$560,195.32	\$488,933.37
Dept 41900	IT	\$8,918.60	\$9,606.57	\$11,093.75	\$11,203.65
Dept 42110	Police	\$769,668.76	\$788,914.00	\$826,258.00	\$934,218.00
Dept 42260	Fire Department	\$202,399.01	\$203,841.78	\$220,276.12	\$240,933.12
Dept 42400	Building Inspection	\$176,878.63	\$175,515.46	\$152,500.00	\$177,500.00
Dept 42700	Animal Control	\$214.00	\$0.00	\$500.00	\$500.00
Dept 43100	Streets	\$180,824.11	\$176,339.47	\$193,169.23	\$198,519.09
Dept 43500	Recycling	\$34,214.01	\$27,042.31	\$28,987.72	\$29,711.15
Dept 45200	Parks	\$105,129.52	\$85,482.54	\$115,521.66	\$114,621.94
Dept 49000	Transfers	\$0.00	\$15,090.04	\$0.00	\$0.00
TOTAL FUND 101 GENERAL FUND		\$1,906,375.07	\$2,190,238.13	\$2,159,389.59	\$2,257,902.79
FUND 220	LOVELL BUILDING				
Dept 41500	Administration	\$35,933.92	\$0.00	\$0.00	\$0.00
Dept 49000	Transfers	\$0.00	\$150,000.00	\$100,000.00	\$0.00
TOTAL FUND 220 LOVELL BUILDING		\$35,933.92	\$150,000.00	\$100,000.00	\$0.00
FUND 229	CARES ACT FUND	\$0.00	\$158,893.00	\$0.00	\$140,313.00

2022 PRELIMINARY SUMMARY EXPENDITURE BUDGET

Account	Description	2019 Actual	2020 Actual	2021 Budget	2022 Preliminary
FUND 310	CAPITAL PROJECTS				
Dept 41500	Administration	\$75,399.88	\$16,036.48	\$10,000.00	\$8,000.00
Dept 42260	Fire Department	\$114,885.81	\$98,724.26	\$60,000.00	\$0.00
Dept 43100	Streets	\$0.00	\$19,183.51	\$200,000.00	\$0.00
Dept 45200	Parks	\$4,972.98	\$56,063.19	\$10,000.00	\$45,000.00
TOTAL FUND 310 CAPITAL PROJECTS		\$220,258.67	\$284,407.44	\$493,200.00	\$53,000.00
FUND 320	TIF 1-3	\$83,623.62	\$65,927.43	\$166,459.00	\$307,594.55
FUND 405	PARK DEDICATION FUND	\$0.00	\$0.00	\$242,000.00	\$4,500.00
FUND 417	17 STREET IMPROVEMENT	\$8,131.58	\$29,319.79	\$3,000.00	\$0.00
FUND 418	18 LAKE DRIVE PROJECT	\$0.00	\$0.00	\$0.00	\$0.00
FUND 419	19 JACKSON AVE IMPROVE	\$22,176.31	\$73,512.47	\$2,500.00	\$0.00
FUND 421	21 STREET IMPROVEMENT	\$0.00	\$0.00	\$213,200.00	\$3,000.00
FUND 551	16 NORTH METRO GO	\$4,125.51	\$4,146.18	\$4,071.00	\$4,089.79
FUND 585	04 OAK LANE	\$21,637.50	\$20,470.00	\$0.00	\$0.00
FUND 591	14 STREETS - VARIOUS	\$22,152.09	\$22,045.25	\$21,938.35	\$62,501.59
FUND 592	15 STREETS - VARIOUS	\$107,225.00	\$100,200.00	\$98,250.00	\$111,075.00
FUND 599	POLICE BUILDING	\$57,277.50	\$61,470.00	\$6,778.64	\$0.00
FUND 609	MUNICIPAL LIQUOR FUND	\$3,203,844.28	\$4,023,341.14	\$3,459,687.31	\$3,828,649.64
FUND 651	STORM SEWER	\$64,096.73	\$67,644.26	\$71,755.66	\$88,089.92
FUND 730	WATER FUND	\$210,147.59	\$204,189.71	\$239,080.69	\$234,523.51
FUND 770	SEWER FUND	\$344,182.88	\$321,493.43	\$427,848.87	\$505,744.11
ALL FUNDS		\$6,311,188.25	\$7,618,405.23	\$7,495,959.12	\$7,457,670.90

To: Mayor Murphy and City Council
From: Bill Petracek, City Administrator 
Date: August 13, 2021
Re: American Rescue Plan Act (ARPA) Funds Discussion

The City of Lexington has been allocated an amount of \$280, 626 from the American Rescue Plan Act (ARPA) program that the federal legislature has approved to help communities offset their costs from COVID 19 and to stimulate the economy. I have included a copy of the eligible expenditures for the funds that was produced by the League of Minnesota Cities to help us decide how best to spend the money and stay within the guidelines of the federal government expectations.

We have received the first payment of \$140,313 and will receive the second payment May 10, 2022. We have until December 31, 2024 to expend the funds.

After discussion with City Staff and reviewing the eligible expenses, I am recommending to the City Council to consider the funds to be spent on the following eligible expenses:

1. Investments in water, sewer, and broad band infrastructure:
 - We are in need of replacing our fire hydrants in Lexington— 70 fire hydrants – at an estimated cost of \$8000/fire hydrant – Total cost \$560,000
 - Replacement of fire hydrants has been put on hold over the past few years due to the money that was spent on the new Wellhouse in 2017, and the lack of funds available for the gradual replacement.
2. Responding to the public health emergency – purchases of personal protective equipment
 - The fire department is in need of replacement of air packs for the fire fighters – estimated cost \$120,000
3. The Centennial Lakes Police Department may be requesting funds from the three cities, but at this point, nothing is definite.
4. NorthMetro T.V. may also be requesting funds, but nothing is definite from them, either.

American Rescue Plan Act of 2021: Information for Cities

Published: May 10, 2021

(Updated Aug. 11, 2021)

Get answers to these FAQs about the American Rescue Plan Act (ARPA) of 2021:

[Q1. How does my city request the funds?](#) (Updated June 28, 2021)

[Q2: How much funding will our city receive?](#) (Updated June 3, 2021)

[Q3. When will our city receive the funds?](#) (Updated May 19, 2021)

[Q4. What is the time frame for using the funds?](#)

[Q5. What are eligible uses of these funds?](#)

[Q6. What are restrictions on the use of these funds?](#)

[Q7. Can we transfer funds to another entity to use?](#)

[Q8. Where can I find the full Treasury guidance?](#)

[Q9. What are some of the other benefits available in the ARPA?](#)

[Q10. Can recipients use funds for administrative purposes?](#)

[Q11. May recipients use funds for general economic development or workforce development?](#)

[Q12. How can cities use funds to assist the travel, tourism, and hospitality industries?](#)

[Q13. We plan to help local businesses with our funds. Do we need to document their need for aid?](#)

[Q14. How does the Treasury guidance help address the disparate impact of COVID-19 on certain populations and geographies?](#)

[Q15. Do cities need to demonstrate that reduction in revenue is due to the COVID-19 public health emergency?](#)

[Q16. Can cities put some of the funds in a savings account for future projects?](#)

[Q17. For broadband investments, may cities use funds for related programs such as cybersecurity or digital literacy training?](#)

[Q18. What is the definition of “budget” for the purpose of the 75% cap on non-entitlement cities payments, and who is responsible for enforcing this cap?](#)

Q19. What records must be kept by governments receiving funds?

Q20. What reporting will be required, and when will the first report be due?

Q21. Will Federal Single Audit requirements apply to these funds?

Q22. The Coronavirus Relief Fund (CRF) included as an eligible use: "Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency." What has changed with the Coronavirus State and Local Fiscal Recovery Funds (CSFRF/CLFRF), and what type of documentation is required for these funds? (Added June 3, 2021)

Q23: Where do we find the required reports? (Added Aug. 11, 2021)

Q1. How does my city request the funds?

A1. Beginning May 10, 2021, cities eligible to receive American Rescue Plan Act funding directly from the U.S. Department of the Treasury, may submit the required information through the Treasury Submission Portal. This portal is for entitlement units of government, most commonly those more than 50,000 in population.

- [Learn more and request funds through the Treasury Submission Portal](#)
- [Read more about required information needed before your city can receive funding](#)

Cities under 50,000 in population (non-entitlement jurisdictions) can request funds from Minnesota Management and Budget (MMB). There is not a specific deadline to request funds but cities must be responsive to MMB and are encouraged to apply immediately or notify MMB of your intention to do so later.

[Learn more and request funds from MMB](#)

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Q2: How much funding will our city receive?

A2: Cities under 50,000 in population will have their allocations finalized by MMB in the coming weeks. The allocations for cities over 50,000 in population are available on the U.S. Treasury website.

[See allocations for cities over 50,000 in population \(pdf\)](#)

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Q3. When will our city receive the funds?

A3. Entitlement cities (population 50,000+) could receive the first half of their funds as early as May 10, 2021. Non-entitlement cities (population less than 50,000) will received their funds from the state of Minnesota. The state shall distribute payments no later than 30 days after a state received a payment (which will be about June 9, 2021). An extension may be granted to the state due to an extensive administrative burden and could further delay payments.

The second half of distributions will be available starting May 10, 2022.

Cities under 50,000 in population will have to make a certification to Minnesota Management and Budget prior to accepting their allocation of funds. The League is recommending that cities

pass a resolution as soon as their next meeting so staff is given the authority to take the steps (not yet outlined) as soon as available. The League has a model resolution cities can consider for this purpose. Please consult your city attorney for specific questions.

[View the League's model resolution \(doc\).](#)

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Q4. What is the time frame for using the funds?

A4. The covered period begins March 3, 2021 and the deadline for spending is Dec. 31, 2024.

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Q5. What are eligible uses of these funds?

A5. Eligible uses include:

- Responding to the public health emergency. Expenses may include vaccination programs; medical care; testing; contact tracing; support for isolation or quarantine; supports for vulnerable populations to access medical or public health services; public health surveillance (e.g., monitoring case trends, genomic sequencing for variants); enforcement of public health orders; public communication efforts; enhancement to health care capacity, including through alternative care facilities; purchases of personal protective equipment; support for prevention, mitigation, or other services in congregate living facilities (e.g., nursing homes, incarceration settings, homeless shelters, group living facilities) and other key settings like schools; ventilation improvements in congregate settings, health care settings, or other key locations; enhancement of public health data systems; and other public health responses. Capital investments in public facilities to meet pandemic operational needs are also eligible, such as physical plant improvements to public hospitals and health clinics or adaptations to public buildings to implement COVID-19 mitigation tactics.
- Responding to the negative economic impacts of the pandemic. Eligible uses in this category include assistance to households; small businesses and non-profits; and aid to impacted industries. Assistance to households includes, but is not limited to: food assistance; rent, mortgage, or utility assistance; counseling and legal aid to prevent eviction or homelessness; cash assistance; emergency assistance for burials, home repairs, weatherization, or other needs; internet access or digital literacy assistance; or job training to address negative economic or public health impacts experienced due to a worker's occupation or level of training. Assistance to small business and non-profits includes, but is not limited to:
 - Loans or grants to mitigate financial hardship such as declines in revenues or impacts of periods of business closure, for example by supporting payroll and benefits costs, costs to retain employees, mortgage, rent, or utilities costs, and other operating costs.
 - Loans, grants, or in-kind assistance to implement COVID-19 prevention or mitigation tactics, such as physical plant changes to enable social distancing, enhanced cleaning efforts, barriers or partitions, or COVID-19 vaccination, testing, or contact tracing programs; and
 - Technical assistance, counseling, or other services to assist with business planning needs
- Premium pay for essential workers.
 - An amount up to \$13 per hour that is paid to an eligible worker in addition to wages the worker otherwise received, for all work performed by the eligible worker during the

COVID-19 public health emergency. Such amount may not exceed \$25,000 per eligible worker.

- Essential workers are those in critical infrastructure sectors who regularly perform in-person work, interact with others at work, or physically handle items handled by others.
- Critical infrastructure sectors include healthcare, education and childcare, transportation, sanitation, grocery and food production, and public health and safety, among others, as provided in the Treasury guidance. Governments receiving Fiscal Recovery Funds have the discretion to add additional sectors to this list, so long as the sectors are considered critical to protect the health and well-being of residents.
- The Treasury guidance emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.
- Treasury encourages recipients to consider providing premium pay retroactively for work performed during the pandemic, recognizing that many essential workers have not yet received additional compensation for their service during the pandemic.
- Revenue replacement for the provision of government services to the extent the reduction in revenue is due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency (see additional questions below for definitions and calculations).
- General revenue includes revenue from taxes, current charges, and miscellaneous general revenue. It excludes refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and revenue generated by utilities and insurance trusts. General revenue also includes intergovernmental transfers between state and local governments, but excludes intergovernmental transfers from the Federal government, including Federal transfers made via a state to a locality pursuant to the Coronavirus Relief Funds (CRF) or the Fiscal Recovery Funds.
- Cities should calculate revenue on an entity-wide basis. This approach minimizes the administrative burden for cities, provides for greater consistency across all recipients, and presents a more accurate representation of the net impact of the COVID-19 public health emergency on a city's revenue, rather than relying on financial reporting prepared by each city, which vary in methodology used and which generally aggregates revenue by purpose rather than by source.
- Cities are permitted to calculate the extent of reduction in revenue as of four points in time: Dec. 31, 2020; Dec. 31, 2021; Dec. 31, 2022; and Dec. 31, 2023. This approach recognizes that some recipients may experience lagged effects of the pandemic on revenues. Upon receiving Fiscal Recovery Fund payments, recipients may immediately calculate revenue loss for the period ending Dec. 31, 2020.
- The Treasury has released FAQs about Fiscal Recovery Funds, and they include a formula for calculating revenue loss. [Read the Coronavirus State and Local Fiscal Recovery Funds FAQs \(pdf\)](#).
- Please note: Treasury is disallowing the use of projections to ensure consistency and comparability across recipients and to streamline verification. However, in estimating the revenue shortfall using the formula above, recipients may incorporate their average

annual revenue growth rate in the three full fiscal years prior to the public health emergency. (Treasury FAQ 5/10/21)

- Investments in water, sewer, and broadband infrastructure.
 - Under the Drinking Water State Revolving Fund (DWSRF), categories of eligible projects include: treatment, transmission, and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development. See a list of eligible projects from the Environmental Protection Agency (EPA).
 - Under the Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF), categories of eligible projects include: construction of publicly owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act. See a list of eligible projects from the EPA.
 - As mentioned in the Treasury guidance, eligible projects under the DWSRF and CWSRF support efforts to address climate change, as well as to meet cybersecurity needs to protect water and sewer infrastructure. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury also encourages recipients to consider projects to replace lead service lines.
 - Costs for construction on eligible water, sewer, or broadband infrastructure projects must be obligated by Dec. 31, 2024. The period of performance will run until Dec. 31, 2026, which will provide recipients a reasonable amount of time to complete projects funded with Fiscal Recovery Funds.
 - Broadband improvements require eligible projects to reliably deliver minimum speeds of 100 Mbps download and 100 Mbps upload. In cases where it is impracticable due to geography, topography, or financial cost to meet those standards, projects must reliably deliver at least 100 Mbps download speed, at least 20 Mbps upload speed, and be scalable to a minimum of 100 Mbps download speed and 100 Mbps upload speed. Projects must also be designed to serve unserved or underserved households and businesses, defined as those that are not currently served by a wireline connection that reliably delivers at least 25 Mbps download speed and 3 Mbps of upload speed.

The items listed are not exclusive. Other expenses may be eligible.

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Q6. What are restrictions on the use of these funds?

A6. Funds cannot be used to directly or indirectly offset tax reductions or delay a tax/tax increase, nor can funds be deposited into any pension fund.

Treasury interprets “deposit” in this context to refer to an extraordinary payment into a pension fund for the purpose of reducing an accrued, unfunded liability. More specifically, it does not permit this assistance to be used to make a payment into a pension fund if both: (1) the payment reduces a liability incurred prior to the start of the COVID-19 public health emergency, and (2) the payment occurs outside the city’s regular timing for making such payments.

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Q7. Can we transfer funds to another entity to use?

A7. Yes, transfers are allowed to nonprofit organizations, public benefit corporations involved in transporting passengers or cargo, special purpose unit of government, and states when used for the same allowable purposes as cities.

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Q8. Where can I find the full Treasury guidance?

A8. [Read more about Coronavirus State and Local Fiscal Recovery Funds on the U.S. Department of the Treasury website.](#)

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Q9. What are some of the other benefits available in the ARPA?

A9. [Read more in this League article about ARPA that covers details and provisions of interest to cities.](#)

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Q10. Can recipients use funds for administrative purposes?

A10. Recipients may use funds to cover the portion of payroll and benefits of employees corresponding to time spent on administrative work necessary due to the COVID-19 public health emergency and its negative economic impacts. This includes, but is not limited to, costs related to disbursing payments of Fiscal Recovery Funds and managing new grant programs established using Fiscal Recovery Funds. (Treasury FAQ 5/10/21)

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Q11. May recipients use funds for general economic development or workforce development?

A11. Generally not. Recipients must demonstrate that funding uses directly address a negative economic impact of the COVID-19 public health emergency, including funds used for economic or workforce development. For example, job training for unemployed workers may be used to address negative economic impacts of the public health emergency and be eligible. (Treasury FAQ 5/10/21)

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Q12. How can cities use funds to assist the travel, tourism, and hospitality industries?

A12. Aid provided to tourism, travel, and hospitality industries should respond to the negative economic impacts of the pandemic. For example, a recipient may provide aid to support safe reopening of businesses in the tourism, travel and hospitality industries and to districts that were closed during the COVID-19 public health emergency, as well as aid a planned expansion

or upgrade of tourism, travel and hospitality facilities delayed due to the pandemic. (Treasury FAQ 5/10/21)

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Q13. We plan to help local businesses with our funds. Do we need to document their need for aid?

A13. Yes. Cities should maintain records to support their assessment of how businesses or business districts receiving assistance were affected by the negative economic impacts of the pandemic and how the aid provided responds to these impacts. (Treasury FAQ 5/10/21)

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Q14. How does the Treasury guidance help address the disparate impact of COVID-19 on certain populations and geographies?

A14. In recognition of the disproportionate impacts of the COVID-19 virus on health and economic outcomes in low-income and Native American communities, the Treasury guidance identifies a broader range of services and programs that are considered to be in response to the public health emergency when provided in these communities. Specifically, Treasury will presume that certain types of services are eligible uses when provided in a Qualified Census Tract (QCT), to families living in QCTs, or when these services are provided by Tribal governments.

Recipients may also provide these services to other populations, households, or geographic areas disproportionately impacted by the pandemic. In identifying these disproportionately impacted communities, recipients should be able to support their determination for how the pandemic disproportionately impacted the populations, households, or geographic areas to be served.

Eligible services include:

- Addressing health disparities and the social determinants of health, including community health workers, public benefits navigators, remediation of lead paint or other lead hazards, and community violence intervention programs.
- Building stronger neighborhoods and communities, including: supportive housing and other services for individuals experiencing homelessness, development of affordable housing, and housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity.
- Addressing educational disparities exacerbated by COVID-19, including: early learning services, increasing resources for high-poverty school districts, educational services like tutoring or afterschool programs, and supports for students' social, emotional, and mental health needs.
- Promoting healthy childhood environments, including: child care, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

(Treasury FAQ 5/10/21)

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Q15. Do cities need to demonstrate that reduction in revenue is due to the COVID-19 public health emergency?

A15. No. In the Treasury guidance, any diminution in actual revenue calculated using the formula in the FAQ would be presumed to have been “due to” the COVID-19 public health emergency. This presumption is made for administrative ease and in recognition of the broad-based economic damage that the pandemic has wrought. (Treasury FAQ 5/10/21)

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Q16. Can cities put some of the funds in a savings account for future projects?

A16. No. Funds made available to respond to the public health emergency and its negative economic impacts are intended to help meet pandemic response needs and provide immediate stabilization for households and businesses. Contributions to rainy day funds and similar reserves funds would not address these needs or respond to the COVID-19 public health emergency, but would rather be savings for future spending needs. (Treasury FAQ 5/10/21)

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Q17. For broadband investments, may cities use funds for related programs such as cybersecurity or digital literacy training?

A17. Yes. Cities may use funds to provide assistance to households facing negative economic impacts due to COVID-19, including digital literacy training and other programs that promote access to the internet. Cities may also use funds for modernization of cybersecurity, including hardware, software, and protection of critical infrastructure, as part of provision of government services up to the amount of revenue lost due to the public health emergency. (Treasury FAQ 5/10/21)

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Q18. What is the definition of “budget” for the purpose of the 75% cap on non-entitlement cities payments, and who is responsible for enforcing this cap?

A18. States are responsible for enforcing the “75% cap” on city payments, which is a statutory requirement that distributions to cities not exceed 75% of the city’s most recent budget. Treasury interprets the most recent budget as the city’s most recent annual total operating budget, including its general fund and other funds, as of Jan. 27, 2020. States may rely for this determination on a certified top-line budget total from the city. Funding amounts in excess of such cap must be returned to Treasury. (Treasury FAQ 5/10/21)

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Q19. What records must be kept by governments receiving funds?

A19. Financial records and supporting documents related to the award must be retained for a period of five years after all funds have been expended or returned to Treasury, whichever is later. This includes those which demonstrate the award funds were used for eligible purposes in accordance with the ARPA, Treasury's regulations implementing those sections, and Treasury's guidance on eligible uses of funds. (Treasury FAQ 5/10/21)

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Q20. What reporting will be required, and when will the first report be due?

A20. Recipients will be required to submit an interim report, quarterly project and expenditure reports, and annual recovery plan performance reports as specified below, regarding their utilization of Coronavirus State and Local Fiscal Recovery Funds.

- **Interim reports:** States (defined to include the District of Columbia), territories, metropolitan cities, counties, and Tribal governments will be required to submit one interim report. The interim report will include a recipient's expenditures by category at the summary level and for states, information related to distributions to non-entitlement units of local government must also be included in the interim report. The interim report will cover activity from the date of award to July 31, 2021 and must be submitted to Treasury by Aug. 31, 2021. Non-entitlement units of local government are not required to submit an interim report.
- **Quarterly Project and Expenditure reports:** State (defined to include the District of Columbia), territorial, metropolitan city, county, and Tribal governments will be required to submit quarterly project and expenditure reports. This report will include financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding a recipient's utilization of award funds. Reports will be required quarterly with the exception of non-entitlement units, which will report annually. An interim report is due on Aug. 31, 2021. The reports will include the same general data as those submitted by recipients of the Coronavirus Relief Fund, with some modifications to expenditure categories and the addition of data elements related to specific eligible uses. The initial quarterly Project and Expenditure report will cover two calendar quarters from the date of award to Sept. 30, 2021, and must be submitted to Treasury by Oct. 31, 2021. The subsequent quarterly reports will cover one calendar quarter and must be submitted to Treasury within 30 days after the end of each calendar quarter.
- **Non-entitlement units of local government** will be required to submit the project and expenditure report annually. The initial annual Project and Expenditure report for non-entitlement units of local government will cover activity from the date of award to Sept. 30, 2021, and must be submitted to Treasury by Oct. 31, 2021. The subsequent annual reports must be submitted to Treasury by Oct. 31 each year.
- **Recovery Plan Performance reports:** States (defined to include the District of Columbia), territories, metropolitan cities, and counties with a population that exceeds 250,000 residents will also be required to submit an annual recovery plan performance report to Treasury. This report will include descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by Coronavirus State and Local Fiscal Recovery Funds program. The initial recovery plan performance report will cover activity from date of award to July 31, 2021, and must be submitted to Treasury by Aug. 31, 2021. Thereafter, the recovery plan performance reports will cover a 12-month period and recipients will be required to submit the report to Treasury within 30 days after the end of the 12-month period. The second Recovery Plan Performance report will cover the period

from July 1, 2021 to June 30, 2022 and must be submitted to Treasury by July 31, 2022. Each annual recovery plan performance report must be posted on the public-facing website of the recipient. Local governments with fewer than 250,000 residents, Tribal governments, and non-entitlement units of local government are not required to develop a Recovery Plan Performance report.

Treasury will provide further guidance and instructions on the reporting requirements for programs at a later date. (Treasury FAQ 5/10/21)

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Q21. Will Federal Single Audit requirements apply to these funds?

A21. Yes. A single audit is required by the federal government for any non-federal entity that spends \$750,000 or more in federal funds in one year. It is intended to show that the entity has adequate internal controls and is generally in compliance with program requirements.

The city is responsible for the cost of the single audit and can contract with an auditing firm or the Minnesota Office of the State Auditor to perform it.

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Q22. The Coronavirus Relief Fund (CRF) included as an eligible use: “Payroll expenses for public safety, public health, health care, human services, and similar employees whose services are substantially dedicated to mitigating or responding to the COVID-19 public health emergency.” What has changed with the Coronavirus State and Local Fiscal Recovery Funds (CSFRF/CLFRF), and what type of documentation is required for these funds?

A22. Many of the expenses authorized under the Coronavirus Relief Fund are also eligible uses under the CSFRF/CLFRF. However, in the case of payroll expenses for public safety, public health, health care, human services, and similar employees (hereafter, public health and safety staff), the CSFRF/CLFRF does differ from the CRF. This change reflects the differences between the ARPA and CARES Act and recognizes that the response to the COVID-19 public health emergency has changed and will continue to change over time. In particular, funds may be used for payroll and covered benefits expenses for public safety, public health, health care, human services, and similar employees, including first responders, to the extent that the employee’s time that is dedicated to responding to the COVID-19 public health emergency.

For administrative convenience, the recipient may consider a public health and safety employee to be entirely devoted to mitigating or responding to the COVID-19 public health emergency, and therefore fully covered, if the employee, or his or her operating unit or division, is primarily dedicated (e.g., more than half of the employee’s time is dedicated) to responding to the COVID-19 public health emergency.

Recipients may use presumptions for assessing whether an employee, division, or operating unit is primarily dedicated to COVID-19 response. The recipient should maintain records to

support its assessment, such as payroll records, attestations from supervisors or staff, or regular work product or correspondence demonstrating work on the COVID-19 response. Recipients need not routinely track staff hours. Recipients should periodically reassess their determinations. ([Treasury Guidance May 27, 2021](#))

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Q23: Where do we find the required reports?

A23: On Aug. 10, 2021 the U.S. Department of Treasury released the User Guide: Treasury's Portal for Recipient Reporting and instructions for submitting information into the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) recipient reporting portal. The user guide contains detailed guidance and instructions for SLFRF recipients and is intended to supplement the Compliance and Reporting Guidance issued by the Department of Treasury on June 17, 2021.

All prime recipients of SLFRF, including nonentitlement units of local government (NEUs), will need to be familiar with the portal. The portal will be the main repository for the interim report (due August 31, 2021); the initial project and expenditure report (due Oct. 31, 2021); and the initial performance report (due Aug. 31, 2021).

Please note, the user guide recommends recipients to first designate staff or officials for specific roles in managing the reports for their award. The individual(s) will then access the Department of Treasury's portal link that will direct them to the ID.me verification website where they will need to create an account. Only after the accounts are verified will the designated staff be able to access the portal to submit SLFRF reports.

[Get more information on the Department of Treasury's Portal for Recipient Reporting](#)

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For more information

The League hosted a webinar with more details about the ARPA Coronavirus Local Fiscal Recovery Fund on May 18.

[Learn more and view the webinar recording](#)

[Access more COVID-19 News and Resources](#)

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