
MEMORANDUM TO COUNCIL

To: Mayor and City Council Members
From: Jim Sharpe, Interim Finance Director
Through: Erin Reinders, City Manager
Date: August 10, 2021
Re: Proposed use of American Rescue Plan Act funds

SUMMARY: The City has provided required documentation to the State of Alaska in order to receive \$1,069,850 in Rescue Act monies from the Federal Government. Staff has discussed how best to administer the funding, given the significant reduction in the amount received and desire to provide the greatest benefit to community residents. The memo includes staff's proposal on how the funds should be used.

PREVIOUS COUNCIL ACTION: On June 22, 2021, City Council approved Resolution 2021-50 accepting an award of COVID-19 Local Fiscal Recovery Funds.

BACKGROUND: On March 11, 2021, Congress passed the federal act known as the American Rescue Plan Act of 2021 (Rescue Act). The Act is a \$1.9 trillion coronavirus rescue package designed to facilitate the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic. A portion of the package (\$350,000,000,000) is to be distributed to cities, states, tribal governments and U.S. Territories.

Communities receiving these payments will be required to certify compliance with federal guidance regarding expenditures of Rescue Act funds. Communities will be required to reimburse the State for any misspent funds.

The City has submitted all required paperwork to the State in order to receive the first tranche of funding (\$534,925) in the next week or two. The second tranche will be received at approximately the same time in 2022. The delay in receiving the second tranche does not prohibit the City from committing the entire amount through a spending plan, but will not be reimbursed until the second tranche has been received.

DISCUSSION: The City's costs related to COVID-19 have largely been encountered. It is our anticipation that future coronavirus related costs will be specifically related to the availability and maintenance of the isolation site, which is expected through the end of 2021.

In July 2021, the City was notified that the State had discontinued the PCE program, at least for the short term, formally reducing the PCE rate to \$0.00 effective July 1, 2021. This move directly increases electricity bills for community residents, the City and IFHS. Previously, staff determined that City residents would benefit from the receipt of a utility credit and the need for that credit is even greater today. Should PCE not be reinstated, the impact to the City for FY22 would be approximately \$300,000, most likely resulting in a budget amendment in early 2022. If Council wishes to proactively appropriate funding for the impact to the City as a result of the elimination of PCE credits, the budget amendment would require revision. If that is the case, staff recommends reducing the utility credit portion to \$573,618 and increase each departmental budget to compensate for the loss of PCE credit.

The City has established agreements with processors to continue operating the isolation site and will collect \$300 per person, per night stay at the isolation site. The amount collected will not fully offset the anticipated costs of keeping the site operational. However, it will offset a portion of the costs, with the remaining costs to be covered by ARPA funding.

Given the significantly reduced amount, compared to CARES funding, staff has determined that the most streamlined approach of administering the funds is to:

- Cover the net costs of the Isolation Site from September to December 2021 (\$64,000)
- Fund personnel costs related to two temporary hires; they currently meet incoming flights, informing passengers of City COVID policies and obtain contact tracing information (\$82,232)
- Provide utility credits to residential customers in a similar manner to the CARES funding (\$873,618)
- Complete upgrades to the EOC to make the facility more easily scaled and improve our ability to handle all Emergency Operations (\$50,000)

Staff will present a budget amendment to Council for their consideration later in this meeting.

ALTERNATIVES: Council can accept the proposed use of funds or provide guidance to staff on how the funding should be used.

FINANCIAL IMPLICATIONS: The related budget amendment to be considered at this meeting will appropriate the receipt and use of ARPA funding. Once the budget amendment has been approved, staff will move forward with implementation of the utility credit program and make EOC improvements.

LEGAL: N/A

STAFF RECOMMENDATION: N/A

PROPOSED MOTION: No action is required

CITY MANAGER COMMENTS: I support staff's proposal, which is consistent with what is outlined in the Budget Amendment for tonight.