



CITY OF MANHATTAN BEACH CITY HALL

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TO: Honorable Mayor and Members of the City Council

FROM: Steve Charelian, Finance Director

MEETING: City Council Regular Meeting, August 3, 2021

SUBJECT: Agenda Item No. 8 – Acceptance of American Rescue Plan Act (ARPA) Funds.

DATE: August 3, 2021

SUPPLEMENTAL ATTACHMENT

- PowerPoint Presentation

AMERICAN RESCUE PLAN ACT (ARPA)

GENERAL GUIDELINES AND ALLOWABLE USES

AUGUST 3, 2021



ARPA BACKGROUND

- American Rescue Plan Act (ARPA) signed into law on March 11, 2021
 - \$350 billion in emergency funds to eligible state, local, territorial and tribal governments to mitigate the effects of the COVID-19 pandemic.
- City's Allocation is \$8.4 million
 - Paid in two installments one year apart
 - City received the first \$4.2 million in July
- Coverage period is "forward-looking" from March 2021 through December 2024
 - Funds must be obligated by December 31, 2024 and spent by December 31, 2026
- City must submit annual reports by October 31



ARPA BACKGROUND

- Staff has proactively sought information about ARPA and allowable uses of funds
 - Staff attended several webinars regarding ARPA from various organizations including:
 - The League of California Cities (LCC)
 - National League of Cities (NLC)
 - Governmental Fiscal Officers Association (GFOA)
 - California Society of Municipal Finance Officers (CSMFO)
- Final U.S. Treasury guidance is expected by the end of August



ARPA OVERVIEW

Allowable Uses:

- A. Public health and economic impacts
- B. Premium Pay to eligible workers
- C. For the provision of government services to the extent of the reduction in revenue caused by the pandemic (“Revenue Loss”)
- D. Investments in water, sewer, stormwater or broadband infrastructure

Prohibited Uses:

- i. Deposits to Reserves or Rainy Day Funds
- ii. Deposits to Pension Funds
- iii. Debt Service Payments
- iv. Offset to tax cuts



ARPA ALLOWABLE USES

A. Public Health and Economic Impacts

- COVID prevention measures to assist safe resumption of tourism, travel and hospitality services during the public health emergency
- Loans, grants, in-kind assistance for operation continuity and counseling programs to rebound from the downturn
 - Examples include job training for unemployed workers

B. Premium Pay for eligible workers

- Potential eligible works include: Public safety, food production facilities, grocery stores, restaurants, sanitation workers, truck drivers, and warehouse workers
- Guidelines emphasize prioritizing lower income workers



ARPA ALLOWABLE USES

C. For Government Services to the Extent of Loss in Revenue

- Calculation model includes:
 - Taxes, current charges, intergovernmental, and other general revenues
- “Government Services” is broadly defined and can include:
 - Directly provide services or aid to citizens
 - Maintenance and pay-go of infrastructure (can use it on a capital project together with bond financed portion)
 - Cybersecurity, healthcare services, school/education services, public safety, etc.

D. Water/Sewer/Stormwater Infrastructure

- Eligible uses are aligned with the EPA’s criteria for Clean Water Revolving Fund and Drinking Water State Revolving Fund programs



SIGNIFICANT REVENUE LOSSES

- Funds and revenue sources most impacted during the pandemic
 - General Fund
 - Transient Occupancy Tax, Sales Tax, Business License Tax, Parks and Recreation Service Charges
 - CIP Fund
 - Transient Occupancy Tax, Parking Meters
 - Fleet Fund
 - Internal Service Charges totaling \$1.8 million suspended in FY 2020-2021
 - Information Technology Fund
 - Internal Service Charge reduction in FY 2020-2021
 - Parking Fund
 - Losses partially mitigated by increase in meter rates



SIGNIFICANT REVENUE LOSSES

- General Fund and CIP Fund experienced the most significant impacts during the pandemic
- Actual losses are even higher than the figures below when year-over-year growth patterns are factored in

| | FY 2018 Actual | FY 2019 Actual | FY 2020 Actual | FY 2020 Compare to FY 2019 | FY 2021 Actual | FY 2021 Compare to FY 2019 | Approximate Losses (FY 2020 and FY 2021) |
|-------------------------------|-------------------|-------------------|-------------------|----------------------------------|-------------------|----------------------------------|---------------------------------------------------|
| GENERAL FUND | | | | | | | |
| Transient Occupancy Tax | \$ 3,764,684 | \$ 4,356,986 | \$ 3,571,309 | \$ (785,676) | \$ 2,115,357 | \$ (2,241,628) | \$ (3,027,305) |
| Sales & Use Tax | \$ 8,970,809 | \$ 9,339,304 | \$ 8,407,953 | \$ (931,351) | \$ 7,578,417 | \$ (1,760,887) | \$ (2,692,237) |
| Business License Tax | \$ 3,718,418 | \$ 4,053,020 | \$ 3,652,228 | \$ (400,792) | \$ 3,700,645 | \$ (352,375) | \$ (753,167) |
| Parks and Rec Service Charges | \$ 3,598,385 | \$ 3,642,199 | \$ 2,980,713 | \$ (661,486) | \$ 2,747,154 | \$ (895,045) | \$ (1,556,530) |
| CIP FUND | | | | | | | |
| Transient Occupancy Tax | \$ 664,396 | \$ 781,830 | \$ 626,267 | \$ (155,563) | \$ 373,298 | \$ (408,532) | \$ (564,095) |
| Parking Meters | \$ 636,154 | \$ 649,026 | \$ 520,676 | \$ (128,349) | \$ 498,155 | \$ (150,871) | \$ (279,220) |
| | | | | <u>\$ (3,063,218)</u> | | <u>\$ (5,809,338)</u> | <u>\$ (8,872,555)</u> |



RECOMMENDATION FOR ARPA FUNDS

- Category “C” for Revenue Loss allows for the greatest flexibility when spending the funds



- Once in unreserved fund balance, funds can be used to pay for various priorities with fewer restrictions
- Potential uses of unreserved fund balance include:

| PROJECT | ESTIMATED COST | CURRENT FUNDING |
|---------------------------------------------------------|------------------|----------------------|
| Fire Station No. 2 Construction | \$9,700,000 | Debt Issuance |
| Polliwog Playground Resurfacing & Equipment Replacement | \$1,600,000 | CIP Fund |
| Fire Engine | \$984,164 | Fleet Fund |
| <i>*Cybersecurity Initiatives</i> | <i>\$500,000</i> | <i>*Not Budgeted</i> |



POTENTIAL FUTURE PROJECTS

- In 2021, the Community Budget Survey asked residents to rank possible future projects regardless of funding

| RANK | POSSIBLE FUTURE PROJECTS (Not Budgeted) |
|------|-------------------------------------------------------------------------------------------|
| 1 | Begg Pool |
| 2 | Joslyn Community Center |
| 3 | Fire Station No. 2 |
| 4 | Manhattan Heights Community Center |
| 5 | Civic Center |
| 6 | Sand Dune Park Building and Playground Improvements |
| 7 | Manhattan Beach Historical Red House at Polliwog Park and Historical Documents Repository |



RECOMMENDATION FOR ARPA FUNDS

- Finance Subcommittee and Staff recommends City Council select Category “C” Revenue Loss for the use of ARPA Funds
 - Once in unreserved fund balance, funds can be used to pay for various priorities with fewer restrictions
- City Council then to discuss whether to appropriate funds from unreserved fund balance for any immediate uses (e.g. towards construction of Fire Station No. 2)
 - Note: ARPA Funds received to date total \$4.2 million



FIRE STATION NO. 2 FINANCING

- To lower debt service issuance, a transfer from the General Fund to the CIP Fund and appropriation from the CIP Fund is needed
 - *With every \$1.0 million towards construction costs, the City's potential savings in debt service interest costs is \$50,000 per year*
- Other considerations:
 - Liquidity important during times of uncertainty
 - Maintaining reserve levels is a component of AAA credit rating
 - Locking in current historically low interest rates provides more flexibility for the future



Questions

- Steve Charelion, Finance Director
- Mark Young KNN, Municipal Advisor

