



# American Rescue Plan Revenue Replacement

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August 8, 2022



# Allowable Uses of ARP Funds

## USE OF FUNDS

Recipients may use SLFRF funds to:

- **Replace lost public sector revenue**, using this funding to provide government services up to the amount of revenue lost due to the pandemic
- **Respond to the far-reaching public health and negative economic impacts of the pandemic**, by supporting the health of communities, and helping households, small businesses, impacted industries, nonprofits, and the public sector recover from economic impacts
- **Provide premium pay for essential workers**, offering additional support to those who have and will bear the greatest health risks because of their service in critical sectors
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, to support vital wastewater and stormwater infrastructure, and to expand affordable access to broadband internet

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each jurisdiction to meet local needs within these four separate eligible use categories.



# Revenue Replacement

- Part of the City's plan to effectively utilize the American Rescue Plan funding is to increase **flexibility** on use of funds by utilizing revenue replacement.
- Revenue replacement funds appropriated by this bill will be used to pay for expenditures that are normally paid for from the General Fund.
- This frees up funds in the General Fund to be used for spending on priorities identified as the **"ARP-related budget"** during the 2022 budget process.
  - Revenue replacement does not change that planned spending nor does it remove Council's role in appropriating ARP funds. Council is required to appropriate funds in both the General Fund and the ARP Fund.

# ARP-Related Budget

Total Award: **\$58,910,047**

Total Budgeted (unrelated to this bill): **\$58,005,000**

	2021 Budget	2022 Budget	Total Budget
<b>Strong Neighborhoods</b>	<b>1,000,000</b>	<b>17,170,000</b>	<b>18,170,000</b>
Home Repair Assistance Programs		2,500,000	2,500,000
Housing Financing		2,500,000	2,500,000
Home Buying Assistance		1,000,000	1,000,000
Additional Neighborhood Infrastructure		2,500,000	2,500,000
City-wide Comprehensive Plan		500,000	500,000
Plan Implementation		300,000	300,000
Land Bank Startup Costs		250,000	250,000
Demolitions (Vacant & Abandoned / Commercial)	500,000	3,670,000	4,170,000
Neighborhood Development Assistance		150,000	150,000
Vacant Building Development Financing	500,000	1,500,000	2,000,000
Neighborhood Recovery Grants		200,000	200,000
Neighborhood Main Streets (Bike Racks, Trash Cans, etc.)		500,000	500,000
Athletic Court Repair		1,600,000	1,600,000
<b>Safe Community for Everyone</b>	<b>1,700,000</b>	<b>11,710,000</b>	<b>13,410,000</b>
Homelessness Strategy Implementation		200,000	200,000
County Partnerships on Homelessness & Mental Health		5,800,000	5,800,000
Gun Violence Intervention		500,000	500,000
Public Safety Technology Upgrades		1,500,000	1,500,000
COVID Response	1,500,000		1,500,000
COVID Facilities Upgrades	200,000	1,800,000	2,000,000
ARP Premium Pay		1,910,000	1,910,000
<b>Robust, Sustainable Infrastructure</b>		<b>1,625,000</b>	<b>1,625,000</b>
Green Infrastructure - Greener Homes		100,000	100,000
Green Infrastructure - Solarize, Switch & Save		300,000	300,000
Green Infrastructure - Commercial Recycling Partnership for CBD's		75,000	75,000
Green Infrastructure - EV Plan & Deployment		150,000	150,000
Green Infrastructure - Distributed Solar/Storage		1,000,000	1,000,000
<b>Equitable Access to Opportunity</b>	<b>3,600,000</b>	<b>5,350,000</b>	<b>8,950,000</b>
Small Business Assistance		1,750,000	1,750,000
Utility Relief	3,500,000	2,000,000	5,500,000
Streamlined Assistance	100,000	500,000	600,000
Opportunity Fund		1,000,000	1,000,000
Immigration Support		100,000	100,000
<b>Youth and Workforce Development</b>	<b>3,500,000</b>	<b>12,350,000</b>	<b>15,850,000</b>
Workforce Development		250,000	250,000
Dream Center	1,000,000	10,100,000	11,100,000
Pre-K Centers	2,500,000	2,000,000	4,500,000
<b>Grand Total</b>	<b>9,800,000</b>	<b>46,295,000</b>	<b>58,005,000</b>

# ARP-Related Budget

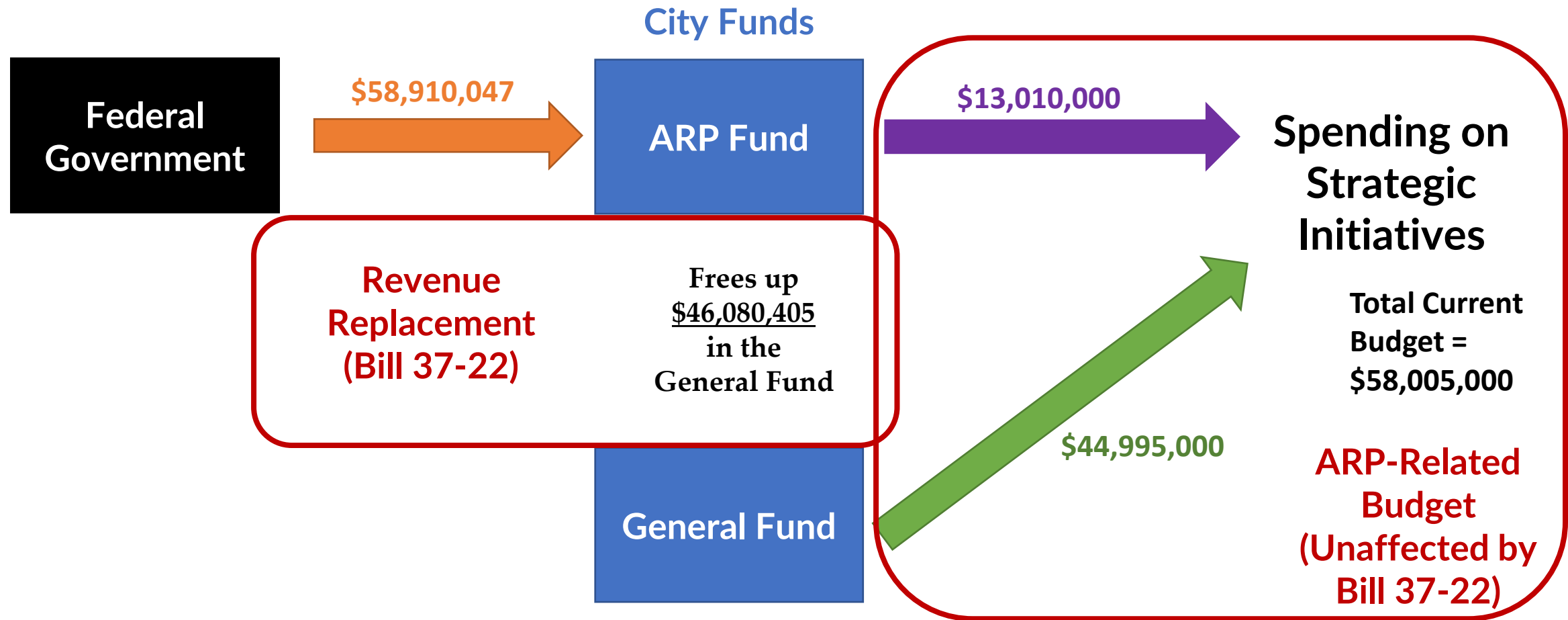
Total Award: **\$58,910,047**

Total Budgeted (unrelated to this bill): **\$58,005,000**

Total Spent or Committed (as of 8/4/2022):

**\$37,652,145**  
 (~64% of total award)

	Total Budget	Spent / Encumbered	Committed Capital Projects	Total Spent / Committed
<b>Strong Neighborhoods</b>	<b>18,170,000</b>	<b>2,445,702</b>	<b>3,855,719</b>	<b>6,301,421</b>
Home Repair Assistance Programs	2,500,000	-	-	-
Housing Financing	2,500,000	-	-	-
Home Buying Assistance	1,000,000	-	-	-
Additional Neighborhood Infrastructure	2,500,000	691,059	-	691,059
City-wide Comprehensive Plan	500,000	209,537	-	209,537
Plan Implementation	300,000	-	-	-
Land Bank Startup Costs	250,000	-	-	-
Demolitions (Vacant & Abandoned / Commercial)	4,170,000	800,825	3,000,000	3,800,825
Neighborhood Development Assistance	150,000	-	-	-
Vacant Building Development Financing	2,000,000	-	-	-
Neighborhood Recovery Grants	200,000	-	-	-
Neighborhood Main Streets (Bike Racks, Trash Cans, etc.)	500,000	-	-	-
Athletic Court Repair	1,600,000	744,281	855,719	1,600,000
<b>Safe Community for Everyone</b>	<b>13,410,000</b>	<b>4,366,611</b>	<b>5,800,000</b>	<b>10,166,611</b>
Homelessness Strategy Implementation	200,000	-	-	-
County Partnerships on Homelessness & Mental Health	5,800,000	-	5,800,000	5,800,000
Gun Violence Intervention	500,000	-	-	-
Public Safety Technology Upgrades	1,500,000	2,223	-	2,223
COVID Response	1,500,000	1,448,093	-	1,448,093
COVID Facilities Upgrades	2,000,000	1,026,635	-	1,026,635
ARP Premium Pay	1,910,000	1,889,660	-	1,889,660
<b>Robust, Sustainable Infrastructure</b>	<b>1,625,000</b>	<b>461,453</b>	<b>-</b>	<b>461,453</b>
Green Infrastructure - Greener Homes	100,000	-	-	-
Green Infrastructure - Solarize, Switch & Save	300,000	297,000	-	297,000
Green Infrastructure - Commercial Recycling Partnership for CBD's	75,000	-	-	-
Green Infrastructure - EV Plan & Deployment	150,000	14,453	-	14,453
Green Infrastructure - Distributed Solar/Storage	1,000,000	150,000	-	150,000
<b>Equitable Access to Opportunity</b>	<b>8,950,000</b>	<b>4,904,460</b>	<b>-</b>	<b>4,904,460</b>
Small Business Assistance	1,750,000	-	-	-
Utility Relief	5,500,000	4,631,794	-	4,631,794
Streamlined Assistance	600,000	221,317	-	221,317
Opportunity Fund	1,000,000	-	-	-
Immigration Support	100,000	51,348	-	51,348
<b>Youth and Workforce Development</b>	<b>15,850,000</b>	<b>1,664,162</b>	<b>14,154,038</b>	<b>15,818,200</b>
Workforce Development	250,000	218,200	-	218,200
Dream Center	11,100,000	1,383,970	9,716,030	11,100,000
Pre-K Centers	4,500,000	61,992	4,438,008	4,500,000
<b>Grand Total</b>	<b>58,005,000</b>	<b>13,842,388</b>	<b>23,809,757</b>	<b>37,652,145</b>





# Calculation of Amount of Revenue Replacement

- Total Revenue Loss (Four Step Process)
  - a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.

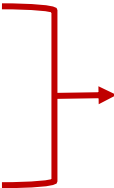


# Base Year Revenue

- a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.

Category Name	2019 ACTUAL
Property Taxes	82,604,579
Charges for Services	61,314,069
Local Income Taxes	34,643,723
Intergov./ Shared Revenues	16,173,802
Interest Earnings	7,211,297
Donations	5,116,150
Other Income	4,346,239
Intergov./ Grants	3,776,748
Licenses & Permits	1,994,397
Fines, Forfeitures, and Fees	1,084,943
Interfund Transfers In	-
PILOT	-
Interfund Allocation Reimb	-
Debt Proceeds	-
<b>Entity-Wide Total:</b>	<b><u>218,265,946</u></b>

Note that inter-organization payments, debt service, and several other types of revenue are excluded from this calculation







# Calculation of Amount of Revenue Replacement

- Total Revenue Loss (Four Step Process)
  - a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
  - b. Estimate *counterfactual revenue*, which is equal to the following formula, where  $n$  is the number of months elapsed since the end of the base year to the calculation date:

$$\text{base year revenue} \times (1 + \text{growth adjustment})^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient's average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.



# Counterfactual 2020 Revenue

- b. Estimate *counterfactual revenue*, which is equal to the following formula, where *n* is the number of months elapsed since the end of the base year to the calculation date:

$$base\ year\ revenue \times (1 + growth\ adjustment)^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient’s average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.

General Revenue Calculation	Base Year	Base Year + 5.20%
Category Name	2019 ACTUAL	Counterfactual Revenue - 2020
Property Taxes	82,604,579	86,900,017
Charges for Services	61,314,069	64,502,401
Local Income Taxes	34,643,723	36,445,197
Intergov./ Shared Revenues	16,173,802	17,014,840
Interest Earnings	7,211,297	7,586,284
Donations	5,116,150	5,382,189
Other Income	4,346,239	4,572,244
Intergov./ Grants	3,776,748	3,973,139
Licenses & Permits	1,994,397	2,098,106
Fines, Forfeitures, and Fees	1,084,943	1,141,360
Interfund Transfers In	-	-
PILOT	-	-
Interfund Allocation Reimb	-	-
Debt Proceeds	-	-
<b>Entity-Wide Total:</b>	<b>218,265,946</b>	<b>229,615,775</b>



# Calculation of Amount of Revenue Replacement

- Total Revenue Loss (Four Step Process)
  - a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
  - b. Estimate *counterfactual revenue*, which is equal to the following formula, where  $n$  is the number of months elapsed since the end of the base year to the calculation date:

$$\text{base year revenue} \times (1 + \text{growth adjustment})^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient’s average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.

- c. Identify *actual revenue*, which equals revenues collected over the twelve months immediately preceding the calculation date.



# Actual 2020 Revenue

- c. Identify *actual revenue*, which equals revenues collected over the twelve months immediately preceding the calculation date.

General Revenue Calculation	Base Year	Base Year + 5.20%	Calculation Point #1
Category Name	2019 ACTUAL	Counterfactual Revenue - 2020	2020 ACTUAL
Property Taxes	82,604,579	86,900,017	80,188,143
Charges for Services	61,314,069	64,502,401	56,507,268
Local Income Taxes	34,643,723	36,445,197	36,897,937
Intergov./ Shared Revenues	16,173,802	17,014,840	14,783,166
Interest Earnings	7,211,297	7,586,284	2,497,422
Donations	5,116,150	5,382,189	4,629,063
Other Income	4,346,239	4,572,244	3,825,383
Intergov./ Grants	3,776,748	3,973,139	1,493,683
Licenses & Permits	1,994,397	2,098,106	1,619,205
Fines, Forfeitures, and Fees	1,084,943	1,141,360	1,073,088
Interfund Transfers In	-	-	-
PILOT	-	-	-
Interfund Allocation Reimb	-	-	-
Debt Proceeds	-	-	-
<b>Entity-Wide Total:</b>	<b>218,265,946</b>	<b>229,615,775</b>	<b>203,514,357</b>



# Calculation of Amount of Revenue Replacement

- Total Revenue Loss (Four Step Process)
  - a. Calculate revenues collected in the most recent full fiscal year prior to the public health emergency (i.e., last full fiscal year before January 27, 2020), called the *base year revenue*.
  - b. Estimate *counterfactual revenue*, which is equal to the following formula, where  $n$  is the number of months elapsed since the end of the base year to the calculation date:

$$\text{base year revenue} \times (1 + \text{growth adjustment})^{\frac{n}{12}}$$

The *growth adjustment* is the greater of either a standard growth rate—5.2 percent—or the recipient’s average annual revenue growth in the last full three fiscal years prior to the COVID-19 public health emergency.

- c. Identify *actual revenue*, which equals revenues collected over the twelve months immediately preceding the calculation date.
- d. Revenue loss for the calculation date is equal to *counterfactual revenue* minus *actual revenue* (adjusted for tax changes) for the twelve-month period. If actual revenue exceeds counterfactual revenue, the loss is set to zero for that twelve-month period. Revenue loss for the period of performance is the sum of the revenue loss on for each calculation date.



# Actual 2020 Revenue

General Revenue Calculation	Base Year	Base Year + 5.20%	Calculation Point #1
Category Name	2019 ACTUAL	Counterfactual Revenue - 2020	2020 ACTUAL
Property Taxes	82,604,579	86,900,017	80,188,143
Charges for Services	61,314,069	64,502,401	56,507,268
Local Income Taxes	34,643,723	36,445,197	36,897,937
Intergov./ Shared Revenues	16,173,802	17,014,840	14,783,166
Interest Earnings	7,211,297	7,586,284	2,497,422
Donations	5,116,150	5,382,189	4,629,063
Other Income	4,346,239	4,572,244	3,825,383
Intergov./ Grants	3,776,748	3,973,139	1,493,683
Licenses & Permits	1,994,397	2,098,106	1,619,205
Fines, Forfeitures, and Fees	1,084,943	1,141,360	1,073,088
Interfund Transfers In	-	-	-
PILOT	-	-	-
Interfund Allocation Reimb	-	-	-
Debt Proceeds	-	-	-
<b>Entity-Wide Total:</b>	<b>218,265,946</b>	<b>229,615,775</b>	<b>203,514,357</b>
		Reduction in Revenue	<b>26,101,418</b>

d. Revenue loss for the calculation date is equal to *counterfactual revenue* minus *actual revenue* (adjusted for tax changes) for the twelve-month period. If actual revenue exceeds counterfactual revenue, the loss is set to zero for that twelve-month period. Revenue loss for the period of performance is the sum of the revenue loss on for each calculation date.

- A few notes:
  - Under the final rule, “any diminution in actual revenue calculated using the formula above would be presumed to have been ‘due to’ the COVID-19 public health emergency”. The City has no need to prove that the revenue loss is directly related to the pandemic.
  - The term “adjusted for tax changes” above refers only to tax cuts or tax increases that are adopted after the adoption of the final rule (January 6, 2022). This does not apply to the City.



# Repeat four steps for 2021:

<i>General Revenue Calculation</i>	Base Year	Base Year + 5.20%	Calculation Point #1	Base Year + 5.20% <sup>2</sup>	Calculation Point #2
Category Name	2019 ACTUAL	Counterfactual Revenue - 2020	2020 ACTUAL	Counterfactual Revenue - 2021	2021 ACTUAL
Property Taxes	82,604,579	86,900,017	80,188,143	91,418,818	87,866,397
Charges for Services	61,314,069	64,502,401	56,507,268	67,856,526	59,584,410
Local Income Taxes	34,643,723	36,445,197	36,897,937	38,340,347	35,736,715
Intergov./ Shared Revenues	16,173,802	17,014,840	14,783,166	17,899,611	15,868,667
Interest Earnings	7,211,297	7,586,284	2,497,422	7,980,771	1,958,341
Donations	5,116,150	5,382,189	4,629,063	5,662,063	4,581,762
Other Income	4,346,239	4,572,244	3,825,383	4,810,000	3,709,611
Intergov./ Grants	3,776,748	3,973,139	1,493,683	4,179,742	436,298
Licenses & Permits	1,994,397	2,098,106	1,619,205	2,207,207	1,821,899
Fines, Forfeitures, and Fees	1,084,943	1,141,360	1,073,088	1,200,710	662,297
Interfund Transfers In	-	-	-	-	-
PILOT	-	-	-	-	-
Interfund Allocation Reimb	-	-	-	-	-
Debt Proceeds	-	-	-	-	-
<b>Entity-Wide Total:</b>	<b><u>218,265,946</u></b>	<b><u>229,615,775</u></b>	<b><u>203,514,357</u></b>	<b><u>241,555,795</u></b>	<b><u>212,226,397</u></b>
		Reduction in Revenue	<b><u>26,101,418</u></b>		<b><u>29,329,398</u></b>
		Total Reduction in Revenue	<b>55,430,816</b>		

Therefore, the total possible amount of revenue replacement would be **\$55,430,816** (based on the first two calculation points).



# Why \$46.08 million?

- This appropriation is based on the total award (plus interest earnings earned to date), minus programs intended to be spent from the ARP Fund #263. That will give us the amount planned to be spent from the General Fund.

ARP Award:	\$ 58,910,047
Fund 263 Interest Earnings:	160,018
<u>Spending directly from Fund #263</u>	
Dream Center (Budget)	(11,100,000)
ARP Premium Pay (Actual)	<u>(1,889,660)</u>
	<u><b>46,080,405</b></u>





# Summary

- To effectively utilize the American Rescue Plan funding, part of the City's plan is to increase **flexibility** on use of funds by utilizing revenue replacement.
- Revenue replacement funds appropriated by this bill will be used to pay for expenditures that are normally paid for from the General Fund.
  - This frees up funds in the General Fund to be used for spending on priorities identified as the "ARP-related budget" during the 2022 budget process.
- This bill does not change the planned spending on ARP dollars, nor does it remove Council's authority over appropriation of all City spending.