

# **American Rescue Plan Act Coronavirus Local Fiscal Recovery Fund (ARPA-CLFRF)**



**Board of Selectmen  
March 14, 2022**

# Agenda

- ARPA-CLFRF Overview
- Funding Categories and Eligible Uses January 6, 2022, U.S. Department of the Treasury's issued Final Rule
- New Revenue Replacement Allowance and Implications
- Pandemic Budget Reductions
- FY2023 Proposed ARPA Projects & Initiatives

# What is ARPA?

- \$1.9 Trillion American Rescue Plan Act of 2021 (ARPA) signed into law by President Biden on March 11, 2021
- The law provides resources through the Coronavirus Local Fiscal Recovery Fund (CLFRF) to local governments to respond to the public health emergency caused by COVID-19
- The fund is administered by the US Department of the Treasury

# ARPA Funding Objectives

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control
- Replace lost revenue for eligible state & local governments to strengthen support for vital public services and help retain jobs
- Support immediate economic stabilization for households and businesses
- Address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic

# ARPA Funding

\$350 billion in relief for state and local governments across the country. The CLFRF provides \$19.5 billion to support non-entitlement units of local government (NEUs), which are local governments serving a population under 50,000.

Type	Amount
States & District of Columbia	\$195.3
Counties	\$65.1
Metropolitan Cities	\$45.6
Tribal Governments	\$20.0
Territories	\$4.5
Non-entitlement Units of Local Government	\$19.5

# ARPA Funding

ARPA provides approximately \$8.7 billion to MA through the Coronavirus State and Local Fiscal Recovery Funds.

- The Commonwealth will receive \$5.3 billion
- Municipalities will receive \$2 billion
- Counties will receive \$1.34 billion
- Since Worcester County was abolished, its allotment will come directly to municipalities

# ARPA Funding

## Northborough's ARPA Funds:

• Municipal Allocation	\$1,581,437
• County Reallocation	<u>\$2,934,746</u>
• Total Funding	\$4,516,183

# ARPA Funding

## Funding Covers Multiple Years

- Local governments will receive the funds in two tranches, the first was already received and the second will arrive in May 2022
- Funding must be obligated by December 31, 2024
- Funding must be spent by December 31, 2026
- Appropriations will likely span FY2023 and FY2024



# ARPA Funding Categories



## **Support Public Health Response**

Fund COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff



## **Replace Public Sector Revenue Loss**

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic



## **Water and Sewer Infrastructure**

Make necessary investments to improve access to clean drinking water and invest in wastewater and stormwater infrastructure



## **Address Negative Economic Impacts**

Respond to economic harms to workers, families, small businesses, impacted industries, and the public sector



## **Premium Pay for Essential Workers**

Offer additional support to those who have and will bear the greatest health risks because of their service in critical infrastructure sectors



## **Broadband Infrastructure**

Make necessary investments to provide unserved or underserved locations with new or expanded broadband access

# ARPA Ineligible Uses

- Fund reductions in tax revenue (reduce tax impact)
- Deposit to a pension fund
- Pay debt service
- Fund legal settlements or judgements
- Deposit to reserves (stabilization/rainy day fund)
- Infrastructure projects not directly addressed in ARPA (primarily to water, sewer, stormwater and broadband projects) unless ARPA funds are taken in under the “revenue replacement” use category, in which case they may be used to fund “government services” defined as any service traditionally provided by the Town.

# New ARPA Standard Revenue Loss Allowance

- A new provision in the Final Rule allows municipalities to use a standard allowance of up to \$10 million for the revenue loss category, as an alternative to the previous revenue loss calculation formula.
- This will simplify the process and allow the town to claim the entirety of its grant award under revenue loss.
- Because the amount claimed under revenue loss can be used for “general government services,” this single provision change provides significant flexibility

# GFOA Guidelines for ARPA Funds

- ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.
- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
- Investment in critical infrastructure is particularly well-suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long- term assets that provide benefits over many years.

# GFOA Guidelines for ARPA Funds

- ARPA funds will be issued in two tranches to local governments. Throughout the years of outlays, and until the end of calendar year 2024, consider how the funds may be used to address rescue efforts and lead to recovery.
- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
- Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

# Pandemic Budget Reductions

- Cut Operating Budgets to 1% in FY2021 and constrained increases in FY2022
- Used \$378,000 in one-time Free Cash in the FY2021 Budget
- Cut \$200,000 in Stabilization Fund Contributions in both FY2021 & FY2022
- Postponed Capital Investments in FY2021 and had less Free Cash to fund pay-as-you-go projects in FY2022 (those postponed needs have not gone away!)
- Cut over \$1 million in contributions to Other Post Employment Benefits Trust Fund (OPEB)
- Northborough's fiscal policies and conservative planning enabled us to successfully navigate the pandemic response while maintaining core service levels
- Priority should be restoration of the temporary cuts and postponed capital projects

# Spending Strategy

- 6-Year Capital Improvement Plan
- Master Plan and MPIC Priorities
  - Downtown Master Plan
  - Sidewalk Master Plan/Complete Streets initiative
- Spending of ARPA funds should follow the Town's Comprehensive Financial Policies; specifically, limiting one-time revenues for recurring expenses in the operating budget

# FY23 Proposed CIP & ARPA Projects

REVENUES	FY2023		
ARPA	\$2,258,092		
Free Cash	\$2,024,259		
Total FY2023 Available Budget	\$4,282,351		
		<b>TM CIP</b>	<b>BOS Vote</b>
		<b>Free Cash</b>	<b>ARPA</b>
<b>EXPENDITURES</b>			
Police Cruisers Replacements	\$165,000	\$165,000	
Fire Engine Replacement	\$800,000		\$800,000
Roadway Improvements/Maintenance	\$454,000	\$454,000	
One-Ton Dump Truck w/Plow (replaces 2012s, 2016)	\$130,000	\$130,000	
Culvert and Drainage Replacement Lincoln St	\$300,000	\$300,000	
Loader (replaces 2006)	\$290,000	\$290,000	
20-Ton Truck w/ Spreader & Plow	\$340,000	\$340,000	
Highway Garage Tight Tank Project	\$400,000		\$400,000
Backhoe (replaces 2005)	\$195,000	\$195,000	
Proctor School Roof Drain repairs	\$38,000		\$38,000
MPIC-Downtown Master Plan Study	\$150,000	\$150,000	
MPIC-Sidewalk Master Plan Phase 1	\$400,000		\$400,000
Affordable Housing (NAHC)	\$100,000		\$100,000
FY23 Operating Budget Subsidy for OPEB	\$250,000		\$250,000
Assabet Fence	\$20,000		\$20,000
Pickleball Alternates	\$18,000		\$18,000
BeWellNorthborough Initiative	\$100,000		\$100,000
COVID Expense Reserve	\$132,351		\$132,092
<b>TOTAL</b>	<b>\$4,282,351</b>	<b>\$2,024,000</b>	<b>\$2,258,092</b>



# Fire Engine Replacement

This request seeks to replace a 2005 Engine 1. At the time of replacement it will have exceeded its expected useful life, including approximately 10 years of front-line service, 5 years back up service and 5 years reserve. The Insurance Services Office (ISO) requires Northborough to maintain 3 pumping apparatus in order to sustain its current ISO rating, which residential and commercial fire insurance rates are based upon. Engine 1 is currently the back-up reserve pumper. The 2016 Engine 2 will become the reserve back-up pumper once the new replacement is purchased and takes over as the new front-line pumper. An Engine was originally in the capital plan for replacement in FY2024; however, it is being proposed that this apparatus be replaced in FY2023 using funding from the American Rescue Plan Act (ARPA) due to ongoing maintenance and mechanical issues.

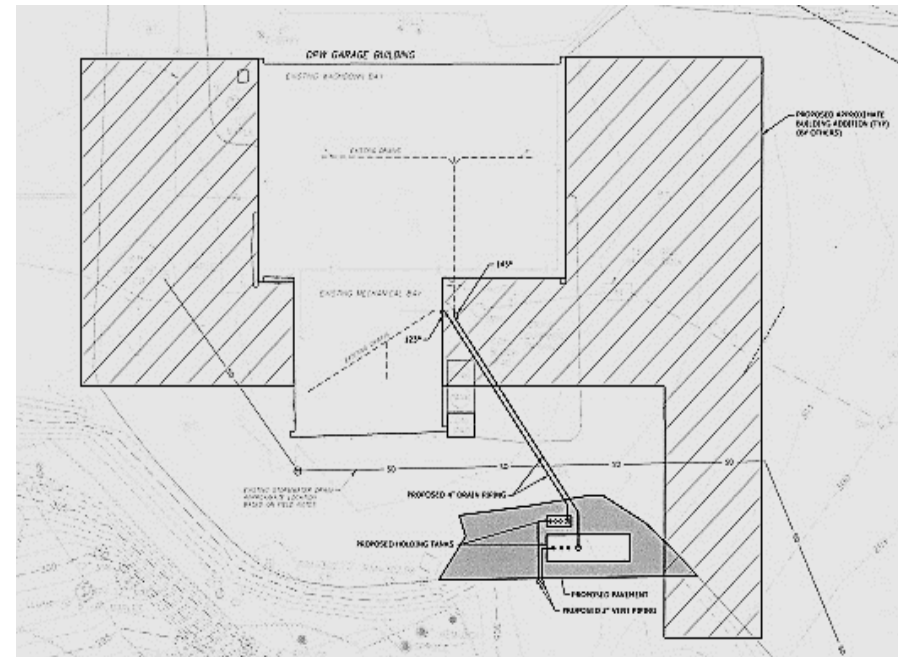
\$800,000



# Highway Garage Tight Tank

This request seeks to fund installation of a tight tank system at the highway garage located at 190 Main Street. The existing garage was built in 1984 and no longer complies with State environmental regulations. The building is served by an onsite septic system which cannot accept discharge of truck wash water. In accordance with MassDEP requirements, an underground holding tank is required for this wastewater. The project requires interior plumbing changes as well as locating the tank in such a manner that it does preclude future building expansion/reconfiguration.

\$400,000



# Proctor School Roof Repairs

On February 28<sup>th</sup> the Board of Selectmen authorized the School Superintendent to file a Statement of Interest (SOI) with the Massachusetts School Building Authority (MSBA) regarding replacement of the 40,000 square foot flat sections of the Proctor Elementary School roof. The Town previously replaced the peaked metal roof sections several years ago. The Town is seeking MSBA's assistance in paying for approximately 45% of the total project cost, which is estimated to be between \$1.5 and \$1.6 million. The school department is seeking funding to make immediate repairs to the downspouts and drains in order to resolve some of the ponding water issues on the roof. It is anticipated that approximately \$880,000 in FY2024 ARPA funding will be used to match MSBA's grant, if approved.

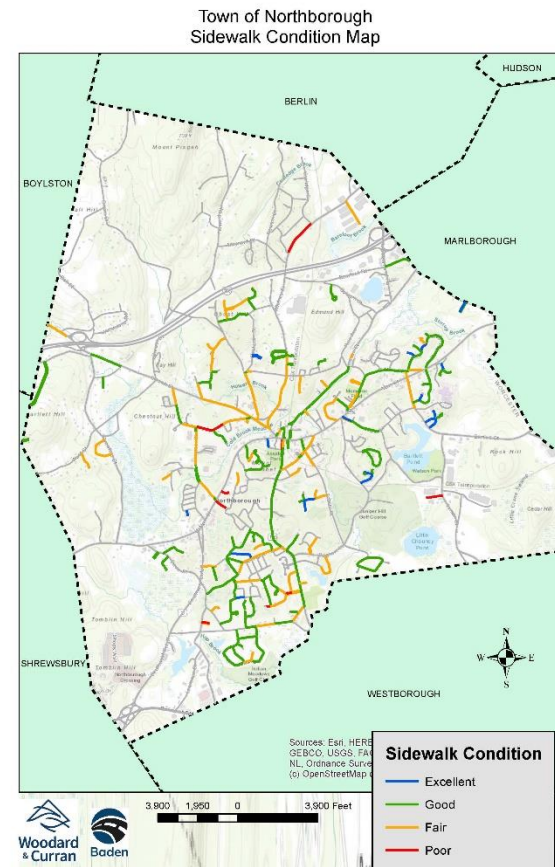
\$38,000



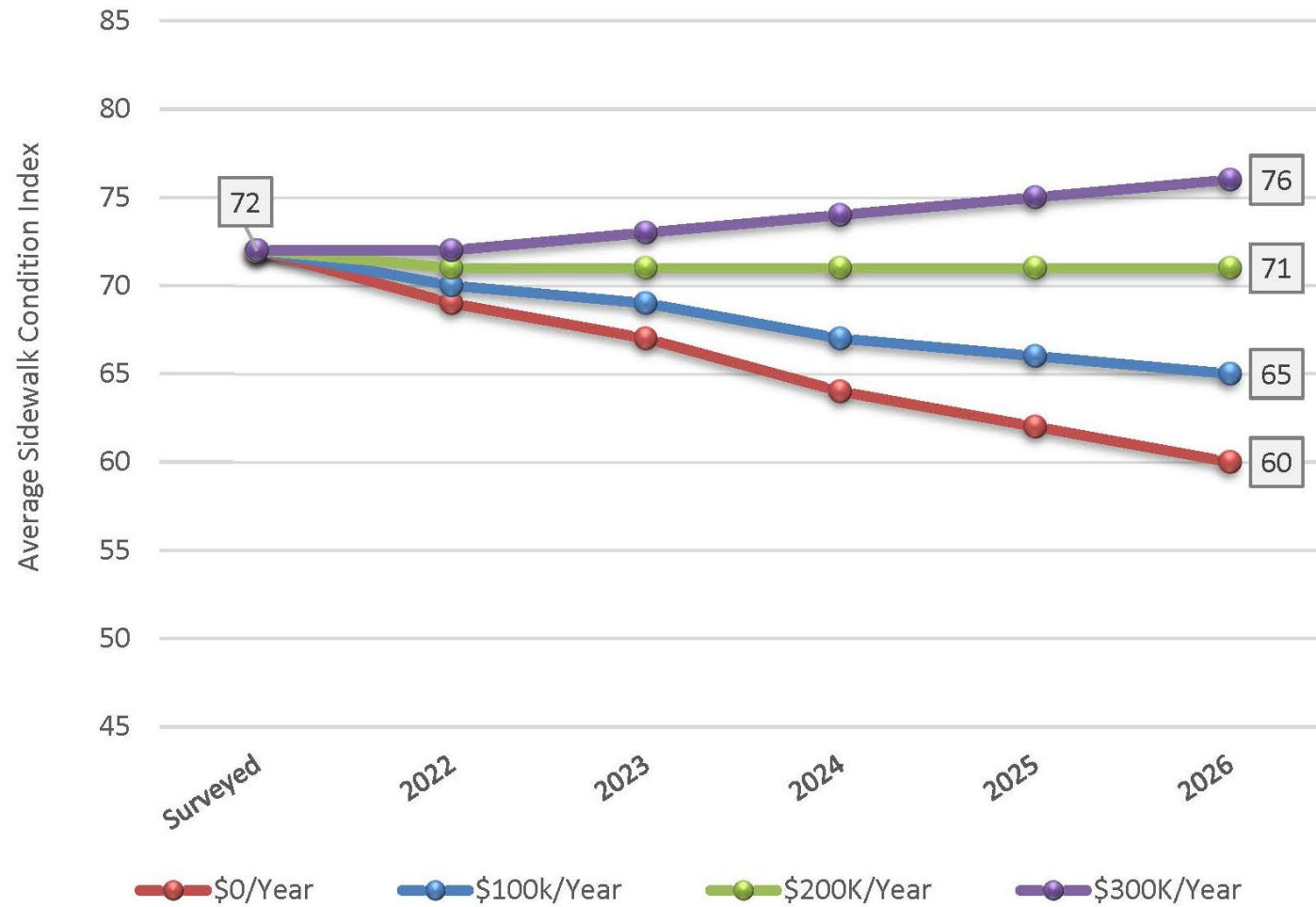
# Sidewalk Repairs Phase I

In late 2020/early 2021, as part its on-going roadway asset management program, the Town had all sidewalks and pedestrian curb ramps along Town roads inventoried and assessed. In February of 2022, the Town received a MassDOT Complete Streets Grant for \$35,200 to create a comprehensive plan to prioritize improvements, identify gaps/needs for new sidewalks, determine compliance with requirements and guidelines from the Americans with Disabilities Act and Pedestrian Right Of Way Accessibility Guidelines, and for development of Complete Streets grant projects. Repair and expansion of sidewalks is the Master Plan Implementation Committee's #2 priority. This requests seeks the first phase of funding to begin repairing the current backlog of sidewalk improvements estimated to be \$1,532,000.

## \$400,000



## Sidewalk Budget Scenarios Results





# NHA Affordable Housing

The Northborough Housing Authority (NHA), the Northborough Affordable Housing Corporation, and the MA Department of Housing and Community Development are proposing to develop eight senior rental apartments located in a single two-story building at 26 Village Drive. Four handicap accessible units will be located on the first floor. Pending approval from the Mass. Department of Housing and Community Development (DHCD), \$800,000 in state funding will be provided to the project. The Northborough Housing Authority will provide an additional \$200,000 in funding. This request proposes to use \$100,000 in ARPA funds to supplement \$1,340,000 of CPA funding at Town Meeting. In total, these funding sources meet the total project cost of \$2,440,000,

\$100,000



Due to the economic impacts of the COVID-19 pandemic, the Town postponed \$1.1 million in contributions to the OPEB Trust Fund between FY2021 and FY2022. While the postponement was part of a short-term strategy to deal with the pandemic, it is imperative that contributions get back on schedule for FY2023. In order to phase the expense back into the tax base and limit the tax impact, it is proposed that \$250,000 in ARPA funds be used to supplement the \$300,000 in the FY2023 Budget to reach the target amount of \$550,000. In FY2024 the full \$550,000 is planned to be phased back into the operating budget.

\$250,000

Town of Northborough  
Financial Indicators

Indicator 10: Other Post-Employment Benefits

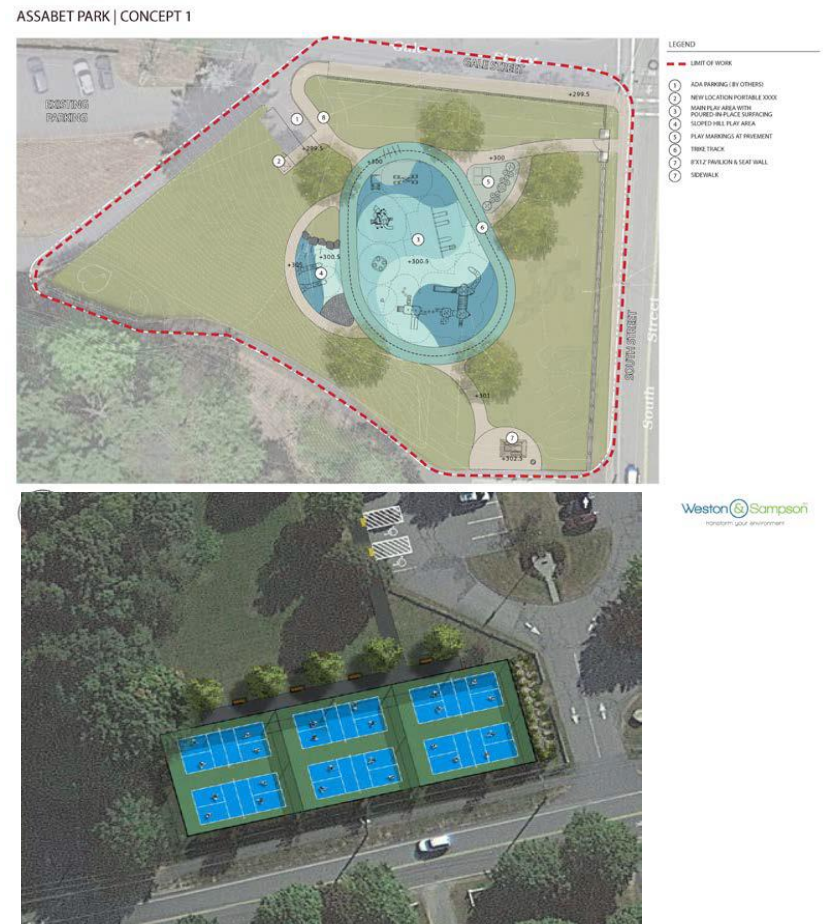
Reporting Period	FY2009	FY2009	FY2011	FY2013	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
In Millions	Original	Revised									
Total OPEB Liability	\$90.44	\$34.29	\$26.07	\$32.64	\$35.38	\$36.57	\$39.14	\$47.33	\$37.75	\$40.05	\$45.94
Actuarial Value of Assets	-	-	-	-	\$0.50	\$1.05	\$1.73	\$2.44	\$3.11	\$3.74	\$4.83
Net OPEB Liability	\$90.44	\$34.29	\$26.07	\$32.64	\$34.88	\$35.52	\$37.41	\$44.89	\$34.64	\$36.32	\$41.11
Discount Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	6.00%	5.25%	6.25%	6.25%	6.25%
Funded Ratio	0.00%	0.00%	0.00%	0.00%	1.43%	2.87%	4.43%	5.15%	8.25%	9.33%	10.52%

- Formula: Other Post-Employment Assets divided by Liabilities
- Warning: Unfunded liability or increase in unfunded liability
- Trend: **Unfavorable / Improving**
- Comments: \$500K in planned annual contributions to the OPEB Trust Fund beginning in FY15 started to improve the Town's funding ratio. As of 10/31/2021 the Fund has \$5.1M. Positive investment income marginally improved the funding ratio despite pandemic impacts preventing financial contributions in FY2021 & FY2022. Reinstatement of annual contributions should be a priority in FY2023 and beyond.

# Assabet Park/Pickleball

Due to the economic impacts of the COVID-19 pandemic, two projects experienced extraordinary price escalation. The Assabet Park project requires \$20,000 to replace fencing and the Pickleball Court Project at Ellsworth McAfee Park needs an additional \$18,000 for benches and gates. Neither of these requests meet the minimum cost threshold to qualify for inclusion in the Capital Improvement Plan and both budget shortfalls are directly related to supply chain material escalation. If approved, the CPC article for the fencing may be removed from the Annual Town Meeting Warrant.

## \$20,000 & \$18,000





# Status of Pandemic Response

- Support the Public Health Response
  - FEMA reimbursement for vaccination clinics and ongoing response measures through April 2022
  - Greater Boroughs Partnership for Health Grant Award \$300,000 for next three years (Northborough, Southborough, Westborough & Boylston)
  - Contract Tracing Grant Award \$160,000 for next two years
- Community outreach and support
  - Food Pantry
  - Community Meals
  - FYS Interface Referral Service for Counseling
  - Senior Center Outreach
  - COVID Task Force



# “BeWellNorthborough”

“BeWellNorthborough” is a staff driven initiative aimed at combating the negative impacts of COVID-19. It is intended to aid residents in coping with the social, emotional, and physical effects of the COVID-19 pandemic by developing new programs and services that address specific community health and wellness needs. Residents will be connected through a community calendar and web page that centrally organizes new and existing programs, services, and outreach activities. BeWellNorthborough represents the coordinated effort of Town Departments to provide ongoing resources and reliable information about health and wellness topics beyond the pandemic.

\$100,000





# “BeWellNorthborough”

Rather than seek individual ARPA requests by department, staff chose to pursue a coordinated effort to minimize overlap and maximize efficiencies.

Staff will work through existing Town Boards and Committees to assess needs and gather feedback and suggestions.

**Anyone who would like to submit ideas, requests, or suggestions may do so at:**

**[www.tinyurl.com/bewellinput](http://www.tinyurl.com/bewellinput)**

## **BeWellNorthborough Working Group**

- Allison Lane, Recreation Dept & Commission
- Eileen Bogle, Senior Center & Council on Ageing
- Kristin Black, Health Dept & Board of Health
- Brian Griffin, Police Department
- Mary Ellen Duggan, Northborough Public Schools (Director of Wellness)
- June David-Fors, FYS & Youth Commission
- Becca Meekins, Assistant Town Administrator & Diversity and Inclusion Committee
- Jenn Bruneau, Library Dept & Board of Library Trustees

Community Meals	Food Pantry	Northborough Junior Woman's Club	Northborough Ed Foundation (NEF)	Community Affairs Committee	Interfaith Clergy Network	Regional School Coalition for Equity
D&I Committee	495/Metrowest Partnership	Corridor 9/495 Regional Chamber of Commerce	Boroughs Family Branch YMCA	Assabet Valley Regional Schools	Friends of the Northborough Senior Center	Bay Path Elder Services
Helping Hands	The Rotary Club	Vincent F Picard Post 234, The American Legion	Friends of the Northborough Public Library	Central Massachusetts Regional Veterans' District	Parent Teacher Organizations	

# Conclusion

- The proposed ARPA projects and initiatives seek to:
  - Restores cuts from the prior fiscal years related to revenue losses due to the pandemic
  - Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
  - Follows GFOA best practices and Town Fiscal Policies regarding use of one-time revenues to avoid creating new programs or additions to existing programs that require an ongoing financial commitment.
  - Use the existing long-term strategic plans approved by the Town, including the Capital Improvement Plan and the Master Plan
  - Only obligate the first tranche of funding in FY2023