
**VILLAGE OF SUGAR GROVE
BOARD REPORT**

TO: VILLAGE PRESIDENT & BOARD OF TRUSTEES
FROM: MATT ANASTASIA, FINANCE DIRECTOR
SUBJECT: DISCUSSION: AMERICAN RESCUE PLAN ACT (ARPA)
AGENDA: FEBRUARY 1, 2022
DATE: JANUARY 28, 2022

ISSUE

The American Rescue Plan Act (ARPA) Funds will be discussed.

DISCUSSION

The Board has had multiple discussions at Board meetings regarding ARPA Funds and how the Village would like to use those funds. Through September 30, 2021, there have been some eligible expenses to be reimbursed back to the Village that were incurred beginning on March 3, 2021. All eligible expenses have been calculated through September 30, 2021, which was the first reporting period initially. The uses for the General Fund are as follows:

- COVID-19 Related Expenses through 09/30/21 - **\$19,279.29**
- COVID-19 Payroll Related Expenses through 09/30/21 - **\$9,042.58**
- Public Sector Loss Revenue through 12/31/2020 - **\$13,724.24**
- **Total General Fund Revenue - \$42,046.11**

To date, the Village has received a total of \$672,802.51 in ARPA Funds (1st Tranche). As a reminder, funds cannot be used to reimburse for expenses prior to the March 3, 2021 date. The Treasury continues to update their FAQ website clarifying eligible uses. Here are the known eligible uses for the ARPA Funds:

- Support public health expenditures, by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare and certain public health and safety staff;
- Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, impacted industries and the public sector;
- Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic;

- Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service to critical infrastructure sectors, and;
- Invest in water, sewer and broadband infrastructure – discussed prior to March 3, 2021 to be completed.

While these are the uses known, there are some restrictions explicitly prohibited in the usage of these funds:

- A prohibition against funding to directly or indirectly offset reductions in tax revenue due to a change in law from March 3, 2021, through the last day of the fiscal year in which the funds have been spent;
- A prohibition against making a deposit into a pension fund for the purpose of reducing an accrued, unfunded liability;
- Funding Debt Service;
- Funding legal settlements or judgements;
- Deposits to rainy day funds or financial reserves; and

On January 6, 2022 the Treasury published their Final Rule for uses of ARPA Funds. The Final Rule goes into effect on April 1, 2022. However, if you used funds prior to this date that are eligible under the Final Rule, but were not prior, the Treasury will not take any action towards your Government. As long as all expenses used with ARPA Funds are covered in the Final Rule, you are considered in compliance. There were a few key major changes/clarifications that were made in the Final Rule:

- There is now a \$10 million “standard allowance” for revenue loss. This is similar to on your tax return, governments can opt to use the standard allowance instead of going through the revenue loss calculation process. This applies to governments who received less than \$10 million in funding. Funds in this category can be spent on a wide variety of costs related to the provision of government services, including general administration, road construction and maintenance, public health and safety services, and more.
- Clarification that governments can spend funds on capital projects that are eligible under the “COVID-19 Public Health or Economic Response” category. This could include housing, childcare facilities, schools, hospitals, etc. but not things like roads and police stations.
- Rehiring of workers to pre-pandemic levels, the rule offers more flexibility in use cases, including hiring beyond the pre-pandemic baseline and providing retention incentives.
- Premium pay to essential workers, governments now have additional options for determining who is essential without being required to provide written justification.
- There is an expanded list of eligible broadband and water/sewer infrastructure projects, providing governments more flexibility in spending dollars on those projects.

For the purpose and efficiency of the ARPA Funds, we will focus on the new \$10 million standard deduction for revenue loss. Public Safety salaries were automatically eligible under CARES/CURES funding, this is not the case with ARPA. However, the standard allowance for revenue loss has allowed many governments, especially non-entitlement units, a way to spend their allocations on public safety costs without additional justification.

Pulled from the Treasury Final Rule, Government Services are defined as:

- Replace lost public sector revenue, using this funding to provide government services up to the amount of revenue loss due to the pandemic.
 - Recipients may determine their revenue loss by choosing between two options:
 - A standard allowance of up to \$10 million in aggregate, not to exceed their award amount, during the program;
 - Calculating their jurisdiction's specific revenue loss each year using Treasury's formula, which compares actual revenue to a counterfactual trend.
 - Recipients may use funds up to the amount of revenue loss for government services; generally, services traditionally provided by recipient governments are government services, unless Treasury has stated otherwise.

Government Services, per the Final Rule, is any service governments provide to its residents. The only exceptions to the uses, are the ones stated above which were from the interim rule. If the Village were to utilize the Standard Deduction under Revenue Loss, Public Safety salaries are an eligible use, and are treated the same as they were under the CARES/CURES funding.

The Village can use the standard deduction and utilize the entire \$1.345 million towards Government Services, or it can continue to use the funds for Water/Sewer Infrastructure as discussed in the past. The Village should receive its 2nd tranche of ARPA Funds in August 2022.

The first periodic report due date is April 30, 2022. The first reporting period will cover eligible expenses through March 31, 2022. Subsequent reports must be reported to the Treasury by October 31st of each year. Funds must be earmarked by December 31, 2024 and expended by December 31, 2026.

COST

There is no cost to discuss the American Relief Plan Act (ARPA) Funds.

RECOMMENDATION

The Board, by consensus, approve the use of the standard deduction for loss revenue for ARPA Funds, using the funds for Government Services.