



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting of December 03, 2024
Second Reading Ordinance for the City Council Meeting of December 10, 2024

DATE: November 13, 2024

TO: Peter Zaroni, City Manager

FROM: Sergio Villasana Jr, Director of Finance and Procurement
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Ordinance amending appropriation of American Rescue Plan Act funds and grant funded full-time positions.

CAPTION:

Ordinance amending Ordinance No. 032481 to adjust and reallocate use of funding from the American Rescue Plan Act (ARPA) as follows: Citywide Waterline Replacement \$30,000,000.00; Citywide Wastewater Lift Station Upgrades \$18,400,000.00; Citywide Stormwater Improvements \$10,000,000.00; North Beach Drainage Improvements \$1,254,480.00; Construction of Fire Station #3 \$4,050,000.00; Police and Fire Services \$3,819,106.00; Downtown Outdoor Dining Development \$26,414.00; and administrative grant support \$3,894.00; appropriating \$218,106.00 in estimated ARPA interest income; and amending the FY 2025 Operating and Capital Budgets to account for the necessary changes in ARPA funding and approved projects.

SUMMARY:

As of November 3, 2024, approximately \$3.8 million in ARPA funds remain unencumbered and unspent. To comply with the U.S. Treasury's deadlines, all funds must be obligated by December 31, 2024 and fully expended by December 31, 2026. We are recommending reallocating funds under the revenue replacement category to ensure the City meets these requirements. Specifically, we propose reallocating approximately \$3.8 million to the General Fund to support Police and Fire services. Additionally, this amount will be transferred from the General Fund to a new Capital Improvement fund dedicated to funding approximately \$73K for the Downtown Outdoor Dining Development and approximately \$3.7 million for North Beach Drainage Improvements.

The original ordinance added two full-time grant-funded positions for grant administration. Currently, one position is filled. To support one full-time grant position, we propose amending the ARPA fund budget by \$222,000, using \$3,894 from ARPA funds and \$218,106 from ARPA interest income. Additionally, we recommend eliminating the one of the full-time grant-funded position.

BACKGROUND AND FINDINGS:

The President signed into law the American Rescue Plan Act (ARPA) on March 11, 2021. This plan established the Coronavirus Local Fiscal Recovery Fund which was intended to provide support to state, local and tribal governments in responding to the impact of the COVID-19 and in their efforts to contain COVID-19 in their communities, residents, and businesses. In addition, the funds were intended to lay the foundation for a strong, equitable economic recovery, not only providing immediate economic stabilization for households and businesses, but also by addressing systemic public health and economic challenges that may have contributed to more severe impacts of the pandemic among low-income communities and people of color.

The ARPA provided for allowable uses in four categories:

1. Respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits or aid to impacted industries such as tourism, travel and hospitality
2. Respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers
3. Provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenue collected in the most recent full fiscal year prior to the emergency
4. Make necessary investments in water, sewer, or broadband infrastructure

The City of Corpus Christi was allocated \$67,553,894 of Coronavirus State and Local Fiscal Recovery Funds established by the American Rescue Plan Act (ARPA) signed into law on March 11, 2021. The funds were to be used to mitigate the fiscal effects stemming from the public health emergency caused by the COVID-19 pandemic including COVID-19 related expenses, replacing revenue lost by local governments, assisting small businesses, households and non-profits, aiding impacted industries such as tourism, travel and hospitality, supporting essential workers, and improving water, sewer and broadband infrastructure. City Council was briefed by staff on May 11, 2021 and was provided with a list of potential projects compiled by executive staff representing projects across the City that may meet the expected criteria.

On June 29, 2021, the City Council adopted an ordinance accepting and appropriating \$67,553,894.00 from the American Rescue Plan Act (ARPA) to mitigate the fiscal effects stemming from the public health emergency caused by the COVID-19 pandemic; and amending the FY2021 Operating Budget; and approving addition of two full-time grant funded positions for the administration of grant funds; and approving use of ARPA funds as follows: Citywide Waterline Replacement \$30,000,000; Citywide Wastewater Lift Station Upgrades \$18,400,000; Citywide Stormwater Improvements \$10,000,000; North Beach Drainage Improvements \$5,000,000; Construction of Fire Station 3 \$4,050,000; and Downtown Outdoor Dining Development \$100,000.

The four recommended Water, Wastewater, and Stormwater/Drainage projects should qualify under either the Clean Water State Revolving Fund (CWSRF) or the Drinking Water State Revolving Fund (DWSRF) programs, which is a requirement for the projects to be an eligible expense. The project to construct Fire Station #3 was not an allowable expense under the infrastructure definition but the City is able to utilize the funds received through revenue replacement for the projects. The City expects the revenue replacement to exceed \$10,000,000 for the first year of 2020. The ARPA funds must be committed to

projects no later than December 31, 2024 and the projects must be completed and all reporting finalized by December 31, 2026.

As of November 3, 2024, approximately \$3.8 million in ARPA funds remain unencumbered and unspent. To comply with the U.S. Treasury's deadlines, we are recommending allocating these funds to the revenue replacement category for the provision of Fire and Police services.

ALTERNATIVES:

An alternative would be to not reallocate funds and not amend budget resulting in potential loss of funding.

FISCAL IMPACT:

There is no fiscal impact for reallocation of funds. Grant administrative support will be funded from interest income.

FUNDING DETAIL:

Fund:	1076 American Rescue Plan Act
Organization/Activity:	N/A
Mission Element:	N/A
Project # (CIP Only):	N/A
Cost:	\$222,000

Fund:	1020 General Fund
Organization/Activity:	N/A
Mission Element:	N/A
Project # (CIP Only):	N/A
Cost:	\$3,819,106

Fund:	3130 Capital Improvement Fund
Organization/Activity:	N/A
Mission Element:	N/A
Project # (CIP Only):	N/A
Cost:	\$3,819,106

RECOMMENDATION:

Staff recommends approval of the ordinance amending Ordinance 032481 allowing for reallocating approximately \$3.8M of ARPA funds to the revenue replacement category for the provision of Fire and Police services, transferring \$3.8M from ARPA fund to General fund, transfer \$3.8M from General Fund to Capital Improvement fund and reduce one full-time grant funded position.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Presentation