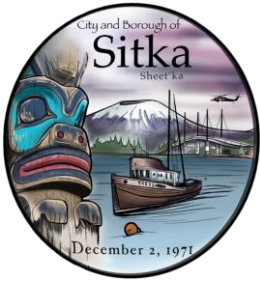


**Discussion on potential uses for
American Rescue Plan Act funding**

(public comment to be taken after staff overview)



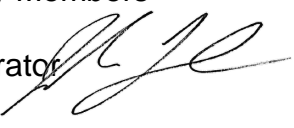
City and Borough of Sitka

PROVIDING FOR TODAY...PREPARING FOR TOMORROW

Coast Guard City, USA

MEMORANDUM

To: Mayor Eisenbeisz and Assembly Members

From: John Leach, Municipal Administrator 

Date: May 20, 2021

Subject: Options for American Rescue Plan Act (ARPA) Funding

Background

The Coronavirus State and Local Fiscal Recovery Funds provide eligible state, local, territorial, and Tribal governments with a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, and more equitable economy as the country recovers. Recipients may use these funds to:

- **Support public health expenditures**, by, for example, 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 and will bear the greatest health risks because of their service in critical infrastructure sectors
- **Invest in water, sewer, and broadband infrastructure**, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet

Within these overall categories, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. As with the CARES funding, additional guidance is anticipated.

Prohibited uses include:

- Deposits into a pension fund.
- Using the funds to offset either directly or indirectly a tax cut made since March 3, 2021.

Estimated FY22 revenue from ARPA will be ~\$1.6M.

Analysis

Many responses were received through public emails and staff was requested to submit potential uses for their individual departments. The guidance I issued for potential uses of these funds was to assess government operations and community needs to develop a plan for recovery. The consolidated responses follow:

Electric Department

- The installation of a new hollow jet valve on the Blue Lake Dam addition. This valve will provide a secondary water source when the penstock is shut down.
- A general fund allocation to compensate for the loss of \$6 million in income tax revenues. Once in the General Fund, monies could be allocated to projects such as solid waste disposal.

Police Department

- A great burden relief for the city would be to pay wages for public safety responders.

Public Works

- Water/Wastewater capital projects:
 - Thomsen Harbor Lift Station Rehabilitation Design and Construction: Anticipated to be a \$1-\$1.4M project. All the sewage in Sitka is pumped to the Thomsen Harbor Lift Station where it is then pumped under the channel to the wastewater treatment plant. The lift station was built in the 1980s and is one of our three most critical lift stations.
 - Lincoln Lift Station Rehabilitation Design and Construction: Anticipated to be a \$1-1.4M project. This lift station collects all sewage from the SMC side of town and pumps it to the Thomsen Harbor lift station. This lift station was built in the 1980s and is one of our three most critical lift stations.
 - Wortman Water Booster Station Rehabilitation: Anticipated to be a \$450K project. This booster station boosts water pressure to residences on Wortman Loop, Cascade Creek Rd, and some residences on Charteris, Georgeson, and Edgecumbe Drive.
 - Water Distribution and Wastewater Collection system repairs and upgrades
- Other on-going projects include:
 - Asset Management and GIS.
 - Supervisory Control and Data Acquisition (SCADA) system upgrades including communications. SCADA is a computer system that is used to monitor and control the water and wastewater systems.
- Premium pay to workers performing essential work.

Finance

Overall, the General Fund was most impacted due to the significant loss of sales tax revenue. In order to maintain governmental services, all capital projects were cut for

both the FY21 and FY22 budgets. In order to restore funding to be available for capital projects using the ARPA funding to recover lost revenue in the General Fund will ensure that our services can remain at the same level and can help address the increase in deferred maintenance.

Public Comments

- SCLT requested funds be directed toward affordable housing expansion.

Fiscal Note

The CBS is projected to receive approximately \$3.4M in ARPA funding split over two disbursements. The first disbursement should be received shortly and is estimated to be between \$1.6M - \$1.7M. The second disbursement should come a full year later.

Recommendation

After an overview from staff, I recommend the Assembly hear from the public on possible uses of this funding. I also recommend that the Assembly allow for this agenda item to return to the June 8th agenda under Unfinished Business as an opportunity to receive further public input. Once the comments are received, I request the Assembly provide staff with some guidance on how to proceed with planning and distribution of this funding. Possible options for future decisions are:

1. Assembly sponsored/co-sponsored item
2. Direct Administrator to form a Working Group (similar to the CARES WG)
3. Future work session for Assembly to develop spending plan in public session for a future vote