

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Discussion of Proposed American Rescue Plan Act (ARPA) Funding Allocation		
DEPARTMENT:	Recreation, Cultural and Community Services		
PRESENTED BY:	Susana Villamarin, Senior Management Analyst		
ACTION:	<input type="checkbox"/> Ordinance	<input type="checkbox"/> Resolution	<input type="checkbox"/> Motion
	<input checked="" type="checkbox"/> Discussion	<input type="checkbox"/> Public Hearing	

PROBLEM/ISSUE STATEMENT:

The American Rescue Plan Act (ARPA), which was signed into law by President Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill. Within the ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments, split evenly between municipalities and counties. The City of Shoreline was initially advised to expect approximately \$12.4 million in Recovery Funds, but after appeals and reviews from other entities not receiving funds, the United States Treasury Department recalculated the allocations and the final amount awarded to the City is \$7,533,842. The City will receive the funds in two tranches, with 50% received this year and the remaining 50% in 2022 a year from the first tranche date.

ARPA funding covers the period of March 3, 2021, through December 31, 2024. Costs must be incurred/obligated by December 31, 2024 and must be spent by December 31, 2026. Staff are continuing to work on developing a comprehensive plan to make the best use of these funds within the required timeframes.

Tonight, staff will present a proposed phased funding plan for the City's final ARPA funds of \$7.53M. Staff is seeking Council's feedback on the proposed targeted allocations of the City's ARPA funds, whether Council is comfortable with the proposed phased funding plan approach, and whether Council support staffs' Phase 1 funding recommendations, including funding 1.4 FTE 'ARPA Navigator' positions, supporting community, youth and business recovery efforts, and funding wastewater and stormwater capital projects focused in the light rail station areas.

RESOURCE/FINANCIAL IMPACT:

The \$7,533,842 in ARPA funding the City will receive will cover eligible expenditures that are fully obligated by December 31, 2024. Budgeting these funds will happen through a mid-biennium budget adjustment for the 2021-2022 biennial budget, and then through future biennial budget processes.

RECOMMENDATION

Staff recommends that the City Council review and approve staff's recommended Phase 1 ARPA funding allocation and provide feedback on staff's proposed overall approach to developing recommendations for the use of the City's ARPA funds.

Approved By: City Manager ***DT*** City Attorney ***MK***

BACKGROUND

The American Rescue Plan Act (ARPA), which was signed into law by President Biden on March 11, 2021, is a \$1.9 trillion economic stimulus bill. Within the ARPA, the Coronavirus State and Local Fiscal Recovery Fund provides \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments, split evenly between municipalities and counties. The City of Shoreline was initially advised to expect approximately \$12.4 million in Recovery Funds, but after appeals and reviews from other entities not receiving funds, the United States Treasury Department recalculated the allocations and the final amount awarded to the City is \$7,533,842. The City will receive the funds in two tranches, with 50% received this year and the remaining 50% in 2022 a year from the first tranche date.

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Eligible Uses of Funding

Coronavirus State and Local Fiscal Recovery Funds provide a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. Within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. Recipients may use Coronavirus State and Local Fiscal Recovery Funds as follows:

- To respond to the public health emergency caused by COVID-19 or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality.
- To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers.
- For the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year prior to the emergency.
- To make necessary investments in water, sewer (includes both storm and wastewater), or broadband infrastructure.

Guiding Principles

Staff are using the following guiding principles to develop a recommended ARPA funding allocation plan to the City Council:

- ARPA funds are temporary in nature and a one-time allocation. As such, staff will be recommending programs that should not be considered on-going and will terminate when the ARPA funds have been expended by the City. Investment in qualifying infrastructure projects support this principle.
- The City needs to be informed of the ARPA plans of other regional partners so that the use of the City's allocation can best meet the needs of the community

and fill gaps not identified by other programs. This includes understanding the program eligibility from other federal and state programs.

- The City program should have a role in helping Shoreline residents and businesses navigate the process to access funds through local, regional, state, and federal programs.
- Needs may evolve over a multi-year process and as such the programming of funds should be prudent and not rushed. The program may be a multi-phased process.

DISCUSSION

Following the passage of ARPA, the City Manager formed an internal staff committee to consider how Shoreline might make the most strategic use of these resources. Overall, the City Manager determined targeted allocations for each category. Staff's preliminary funding allocations are as follows:

Category	Subcategory	Targeted Amounts
Respond to public health emergency caused by COVID-19 or its negative economic impacts.	a. Limited Term ARPA Navigators (1.4 FTE)	\$511,000
	b. Human Service Needs	\$1,600,000
	c. Community and Youth Recovery	\$400,000
	d. Business Recovery and Stabilization	\$500,000
City cost recovery for COVID-19 related expenses.		\$500,000
Make necessary investments in water, sewer, stormwater, or broadband infrastructure.		\$4,022,000
Total		\$7,533,000

Given that there are still several unknowns about programs that will be offered regionally for which Shoreline residents, non-profits and businesses will be eligible to seek funding, staff is recommending that the City take a phased approach in determining the full programming of its allocation of ARPA funds. Staff's Phase 1 recommendation is as follows:

1. Allocate \$511,000 to fund up to 1.4 FTE limited-term ARPA Navigator positions.
2. Allocate \$225,000 to fund community and youth recovery by supporting the YOLO program and a contracted Mental Health Therapist for youth and teens during 2022.
3. Allocate \$93,000 to fund outreach and analysis to Shoreline businesses through a three-year partnership with the Shoreline Chamber of Commerce.
4. Allocate approximately \$4M for qualifying infrastructure investments.

Proposed Phase 1 Funding Plan Detail

1. Allocate \$511,000 to Fund up to 1.4 FTE Limited-Term ARPA Navigators

Staff recommends taking a strategic approach to Shoreline's safety net investments by first hiring term-limited staff, who will be identified as ARPA Navigators, to research all federal, county and state ARPA programs and to support Shoreline residents in their efforts to access those programs. This will ensure the greatest leveraging of other funding while also providing a more complete understanding of local gaps, which can then be supported with City ARPA funds. In addition to researching human service safety net programs, the ARPA Navigation Team will be expected to research specific resources available to small businesses and to work with the Economic Development Manager to proactively disseminate that information locally.

The City of Lake Forest Park has expressed interest in providing some of its ARPA dollars to leverage Shoreline's navigation efforts for Lake Forest Park residents. Should this agreement come to fruition, it would offset projected Shoreline expenditures and require the Navigation Team to proactively share the findings of their research with staff in Lake Forest Park.

Staff recommends an initial expenditure from Shoreline's ARPA funding as follows:

Staffing	Time Frame	Cost
0.4 FTE (rounding up existing 0.6 FTE to 1.0 FTE)	7/2021-6/2024	\$154,000
1.0 FTE (New Position)	9/2021-8/2024	\$357,000
	TOTAL	\$511,000

The costs shown in this table assume term limited positions continuing for the maximum of three years as allowed by City policy. However, the actual term of employment will depend on the level of service needed, so they could end sooner.

2. Allocate \$225,000 to Fund Community and Youth Recovery

The Youth Resource Navigator (partnership with YouthCare) who was hired in the middle of the year, and the Mental Health Therapist funded by a grant through Best Starts for Kids (BSK), have been essential members of the staff team working to support Shoreline youth over the past year, many times in intense crisis situations which otherwise would result in tragic outcomes. Youth Outreach and Leadership Opportunities (YOLO) staff have also been integral in connecting youth to each other as well as to services over this year through creative social media campaigns and activities.

The BSK grant which funds both the mental health therapist and the YOLO program is likely to be unavailable during 2022 due to the timing of the renewal levy vote. This means that funding for both the YOLO staff and for the mental health therapist is currently only available through December 31, 2021. As mental health resources have been and will continue to be critical for youth dealing with impacts of COVID 19, staff recommends prioritizing funds to ensure that both YOLO and the mental

health therapist services can be sustained throughout the BSK gap year. Should the City be awarded new grant funding sooner prior the end of 2022, the balance of allocated ARPA funds will become available for other purposes.

Staff recommends initial spending of \$225,000 to ensure continuation of services for both the YOLO program and the Mental Health Therapist services for teens through Center for Human Services. Staff will monitor the ongoing needs of Shoreline youth as the year progresses to determine how best to utilize the balance of funds in this category.

3. Allocate \$93,000 to Fund Outreach and Analysis to Shoreline Businesses Through a Partnership with the Shoreline Chamber of Commerce

To cultivate ongoing relationships and better understand local business needs considering the widespread economic effects of the pandemic, the City would partner with the Shoreline Chamber of Commerce to contract for outreach to small businesses to better understand their needs, including the identification of challenges or opportunities for growth that the City can facilitate in the economic recovery. By establishing a systematic program of information-gathering and networking with Shoreline businesses, the City will add fundamental strength at the core of its economic development strategy, as existing businesses are the lifeblood of a local economy. This program, along with regional data and other economic impact surveys, will help inform future ARPA funding phase recommendations the City could consider for supporting businesses.

The City was already in the process of executing a contract with the Shoreline Chamber of Commerce for an annual six-month contract to provide business outreach and documentation services with \$25,000 of annual funding from the City's economic development budget. This contract stipulates an expected outreach to 80 different businesses for each contract period. Adding an additional \$31,000 in annual allocation from the City's ARPA funding would increase the annual Chamber contract to \$56,000 and enable the program to be extended year-round for the next three years. This would result in a doubling of the annual outreach to at least 160 meetings per year each of the three years. The contract would also include development of a database and identifying challenges or growth opportunities for the business community that the City or its partners may be able to support or facilitate. A future program based on the outcomes of this project could lead to a City-Chamber of Commerce partnership that would have the City only providing a portion of funding to support on-going business outreach.

4. Allocate Approximately \$4M for Qualifying Infrastructure Investments

Staff is recommending that Council allocate \$4 million of ARPA funds for wastewater and storm water projects. Staff focused on projects in areas that serve economic development, principally within the 145th and 185th light rail station areas, and that can be obligated by December 31, 2024 and construction complete (all expenditures made) by December 31, 2026. In developing a list of projects to consider for application of these funds, staff consulted the 145th and 185th Subarea Plans, the Ronald Wastewater District Comprehensive Sewer Plan, the City's Stormwater Master Plan, and recent modeling information.

Staff also consulted with Seattle Public Utilities-Water (SPU) and the North City Water District (NCW) to determine if there would be any water projects that should be considered. In conversation with SPU and NCW on ARPA funding, the utilities did not propose or recommend that any water projects be considered. Staff did consider a SPU project associated with work on the 145th Interchange and Corridor Projects but given that there are still some unknowns and the potential for some alternative funding mechanisms, determined that this project should not be further considered at this time.

Staff has determined that applying ARPA funding to the projects in the table below provide the most benefit to the light rail station areas and meet the ARPA regulatory requirements. In these projects, the ARPA funding supports and/or accelerates a project that supports development in the station areas. In addition, the ARPA funds will offset the need for City funds either in the form of utility funds or other project funds needed to complete the project. The estimates in the tables below are a “rough order of magnitude” and will be updated as the projects develop.

Utility	Description	Obligation Date	Cost (ARPA Eligible)
Sewer	Modify an existing sewer utility hole at east end of 148th non-motorized bridge. The project will modify an existing utility hole as part of the bridge project. This project serves the 145 th station area.	2023	\$130,000
Sewer	Replace and realign an existing sewer line in the 3rd Avenue alignment from 145th to 147th as part of the 145th projects. A portion of this project is driven by the needs of the 145 th interchange project and the remainder is to realign and upsize the existing sewer line to support nearby development and flows from Seattle. This project serves the 145 th station area.	2024	\$1,500,000
Storm	Upgrade stormwater pump station 26. This project involves a full rebuild due to its age, lack of ability to handle high-runoff events without flooding, and frequent pump maintenance issues. The pump station is on 10 th Avenue NE, just south of NE 185 th Street and serves the 185 th station area.	2023	\$2,400,000
TOTAL			\$4,030,000

Other projects considered but not recommended are as follows:

Utility	Description	Obligation Date	Cost (ARPA Eligible)
Water	Lower and relocate a 24" water main, 8" water lines and appurtenances as part of the 145th interchange and corridor projects. SPU contends that they are not obligated to fund this work as part of the project. This project serves the 145 th station area.	2024	\$1,500,000
Water	1st Avenue Main upgrade and fire hydrants. Replace 580 linear feet of 4" cast iron main with 8" ductile iron and add hydrant at in 1st Avenue between 145 th and 147 th Streets. This project serves the 185 th station area.	2024	\$872,000
Sewer	Lift station 15 upgrades (RWD PS 3&4). This project serves the 185 th station area.	2025	\$1,700,500
Sewer	185th Street and 10th Avenue sewer force main upgrade associated with lift station 15 upgrade (RWD 2025 CIP-1). This project serves the 185 th station area.	2025	\$650,000
Sewer	1st Avenue sewer line upgrade from NW 180th Street to NW 185th Street (RWD 2023 CIP). This project serves the 185 th station area.	2023	\$970,000
Sewer	185th sewer line upgrade from Meridian Avenue to Corliss Avenue (RWD 2023 CIP). This project serves the 185 th station area.	2023	\$325,000

Future ARPA Funding Phases

The work of the proposed ARPA Navigators to research all federal, county and state ARPA programs and to support Shoreline residents and businesses in their efforts to access those programs will inform future funding recommendations, specifically in the areas of human services, youth recovery and business stabilization and recovery. Staff anticipate a significant infusion of funds into a variety of safety net programs for both individuals and businesses. For example, this is the high-level expenditure plan recently adopted by King County:

- Community Supports (e.g., food security, rental assistance, etc.) – \$255M
- Vaccination Efforts including mass vaccination sites – \$117M
- Public Health Response to the pandemic – \$114M
- Economic Recovery / Jobs – \$67M
- County Operations in response to the pandemic – \$41M
- Arts, Entertainment, Culture and Science – \$36M

Understanding these various programs will help determine a future recommendation from staff to program approximately \$1.6M in funds reserved for human service needs, nearly \$400,000 for business recovery and stabilization, and \$175,000 for youth recovery, and will allow our local funds to support critical needs that Shoreline residents find they are unable to access elsewhere.

Staff's Phase 1 recommendation for business recovery funding is only a small part of the overall allocation. The Phase 1 program with the Chamber, along with understanding other regional programs, will help inform recommendations for future ARPA funding recommendations for business support. Some ideas for future business recovery and stabilization support include:

- Creation of a revolving loan fund to support commercial tenant improvements in first floor mixed use buildings; especially those that meet the City's goals of creating vibrant, walkable neighborhoods.
- Enhancing small business access to business advisory services through a dedicated Small Business Development Center (SBDC) advisor. SBDC clients are overwhelmingly satisfied with this service, with 97% saying they would recommend SBDC services to others. Compared to the average business in the state, Washington SBDC clients increase revenue and create jobs at significantly greater rates. From 2011 to 2020, these companies grew their sales by 14.4%, more than double the state average of 5.6%, and increased employment 11.4%, while the state average was just 1.5%. The annual cost for a dedicated SBDC advisor is \$121,000.
- Purchasing local business gift cards that could be used as part of a vaccine incentive program.
- Development of a direct cash grant program, similar to the City's CARES funding program. This would be a small direct grant program but could be something that helps businesses in their recovery.

The ARPA dollars designated to cover either revenue loss or direct City expenses related to COVID-19 Response and Recovery funds would be used to cover operational costs necessary to respond to and recover from the COVID-19 pandemic, similar to what was funded using CARES Act expenses. An example of some of the expenses that would be covered would be costs for the City's Remote Learning Program, the Shoreline City Hall lobby monitor, rental of additional vehicles for crew safety, and costs associated with accommodating hybrid meetings and continued remote work.

While staff are still seeking clarification on rules regarding how to calculate and cover the cost of potential revenue loss, based on the information that staff have at this time, staff does not anticipate qualifying for this. The impact of this non-qualification therefore limits the use of the ARPA funds to the types of items that we have mentioned here. Should the rule clarification change staffs' determination, it would broaden the scope of the costs that would be eligible for reimbursement. Currently, staff anticipates identifying at least \$500,000 of eligible expenses in this area. Going forward, if staff determines that the City does not have enough qualified direct expenses, staff will plan to allocate the remaining funds to another authorized expenditure type.

Council Discussion Questions

Tonight, staff is seeking Council's feedback on the following discussion questions:

1. Does Council support the proposed targeted allocation of the City's \$7.53M in ARPA funds?
2. Is Council comfortable with the proposed phased approach?
3. Does Council support the Phase 1 recommendations?
 - a. Does Council support moving forward with the proposed ARPA Navigator positions?
 - b. Does Council support the recommended community/youth and business recovery uses?
 - c. Does Council support the recommended capital projects? Would Council like staff to explore other alternatives or consider other criteria for capital projects to be funded with ARPA funds?

RESOURCE/FINANCIAL IMPACT

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RECOMMENDATION

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