

# American Rescue Plan Act

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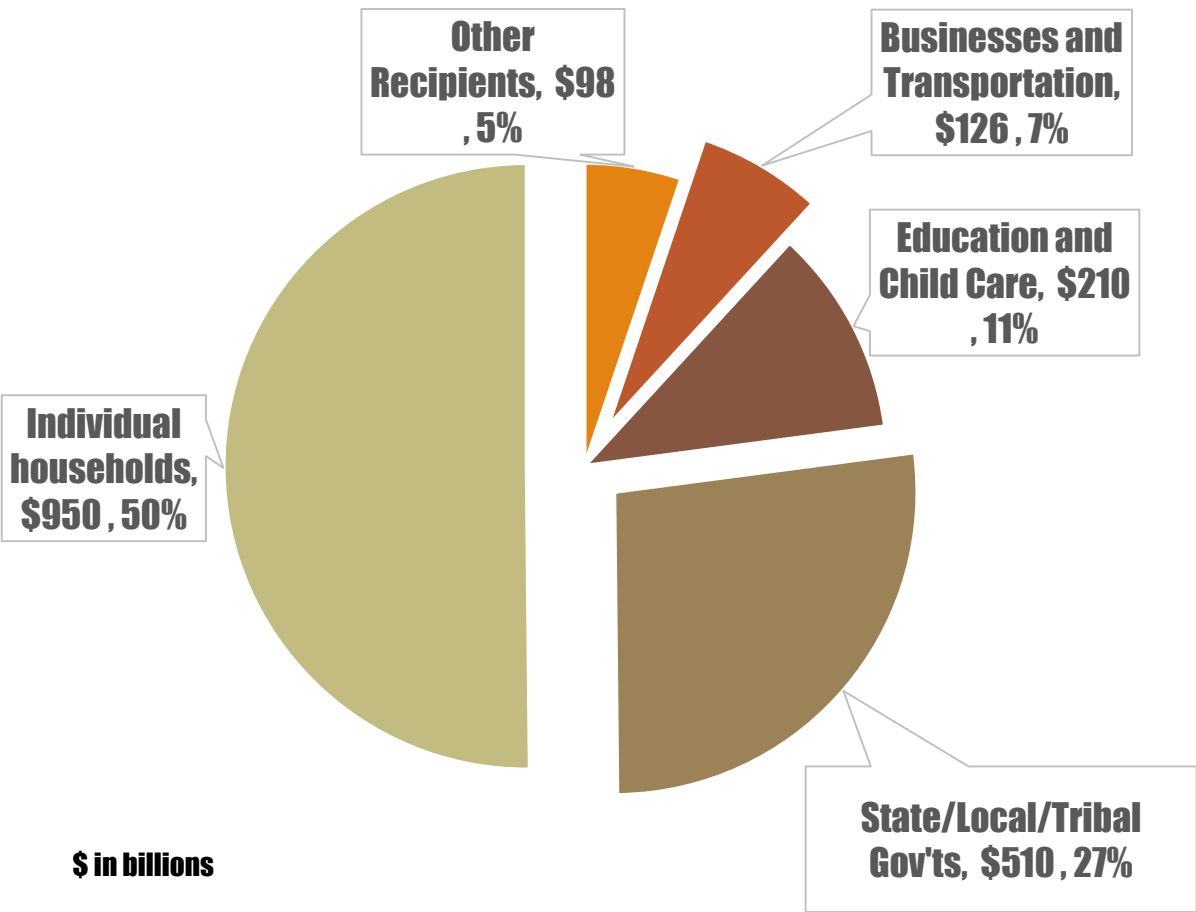
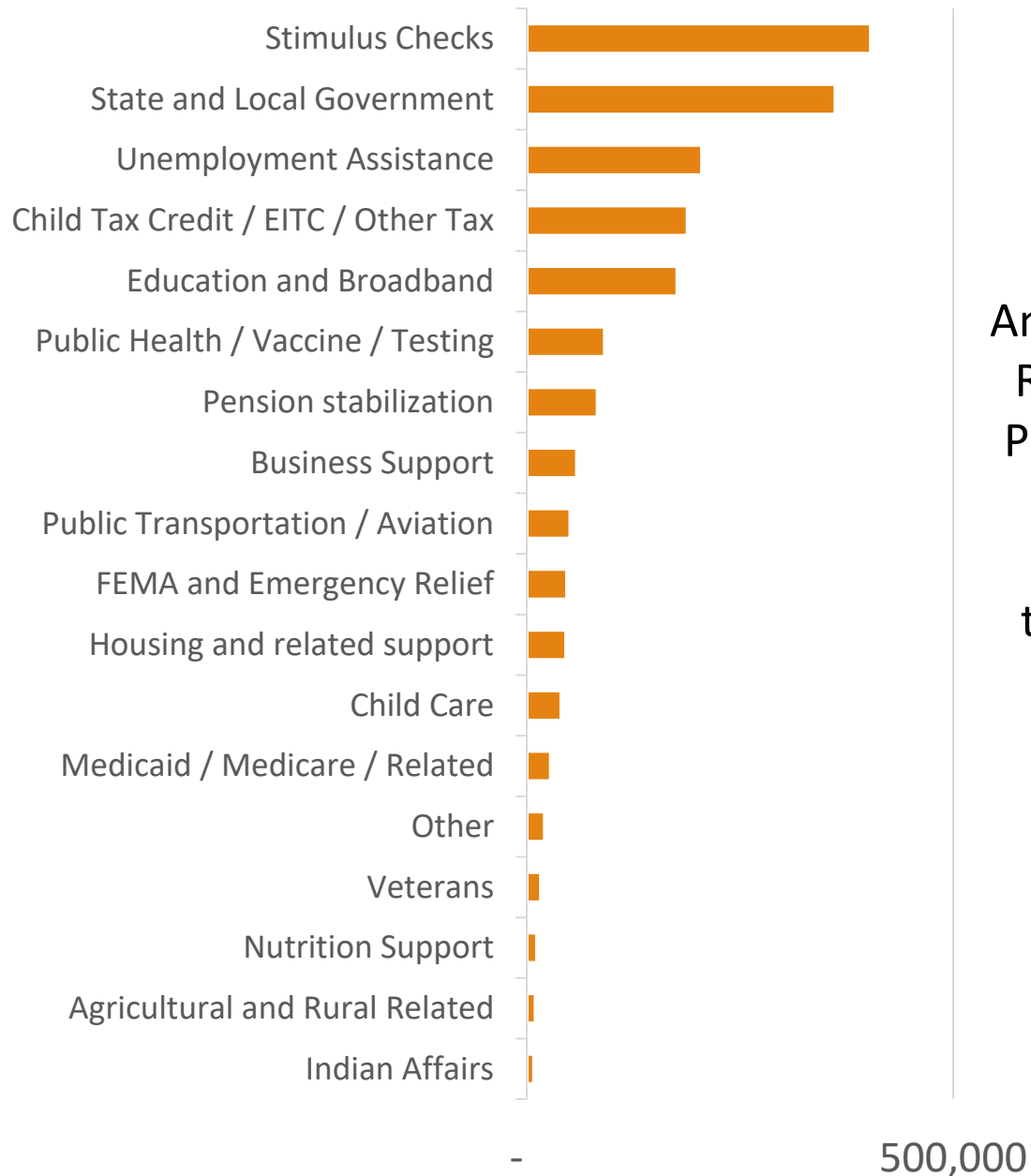
BACKGROUND AND NEXT STEPS

FINANCE COMMITTEE

APRIL 5, 2021

# American Rescue Plan Act

\$1.9  
trillion



\$ in billions

# Federal Recovery Awards

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Funding Source	Program Area	Award
CARES Act -- \$44.7 million	Housing-related	\$8.8 million
	Transit	\$24.5 million
	Health-related	\$6.1 million
	General Government / COVID Costs	\$5.3 million
CAA -- \$23 million	Housing-related	\$7.8 million
	Transit	\$15.0 million
ARPA – at least \$80 million	Local Government Aid	\$49 million
	Transit	\$30 million

# FUNDING STRATEGY

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1. State and Local Government Aid
2. Projected Revenue Losses
3. Guiding Principles and Priorities
4. Transit Plan
5. Possible Gaps
6. Timeline and Next Steps

# State and Local Government Aid

## *Overview*

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\$350 billion nationally

(plus \$10 billion for critical capital projects)

- \$3.2 billion for state government plus \$~190 million for critical capital projects
- \$107 million for Dane County
- \$49 million for City of Madison

# State and Local Government Aid

## *Eligible Uses*

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- Respond to or mitigate **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.
  - Respond to workers performing essential work during the public health emergency by **providing premium pay to eligible city workers performing such essential work or by providing grants to eligible employers that have eligible workers** who perform such essential work *[eligible workers maintain essential critical infrastructure sectors and additional sectors as the Mayor designates as critical to the health and well-being of the residents of the city; maximum premium pay of \$13 per hour and \$25,000 per worker]*
  - Provide government services to the extent of the **reduction in revenue due to COVID-19** public health emergency *relative to revenues collected in the most recent fiscal year prior to the emergency.*
  - Make necessary investments in **water, sewer or broadband infrastructure.**
- Available until 12/31/2024; 50% allocated by May 11, 2021; remainder in Spring 2022.
  - Rule development by Treasury; detailed reporting to Treasury; funds used inconsistent with eligible uses can be recouped.

# State and Local Government Aid

## *Points to Consider*

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- Treasury rules will be critical to defining the basis for calculating “reduction in revenue”
- One-time funding
- Revenue losses exceed estimated aid
- Significant depletion of fund balances
- Continuing economic effects will be sector specific and difficult to fully predict (e.g., office and retail space / net new construction; tourism/conferences recovery).
- Other programs available to private sector – PPP, shuttered venue grants, EIDL, employee retention credits, enhanced UC, etc.
- State and county aid may also be of help to economic sectors in Madison
- Approximately \$4 million of unreimbursed costs plus essential worker (police and fire costs); EPL/FMLA on top of that.
- Build back better – focus investments on long-term and broad based economic improvements

# Emergency Paid Leave Reimbursement

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Extends FFCRA sick time and paid family leave to September 30, 2021.

Expands paid family leave credit from \$10,000 to \$12,000/employee/year.

Expands credits to leave to obtain COVID-19 vaccine.

Adds an additional 10 days after March 31, 2021.

Allows state and local governments to access the credits, effective for amounts paid after March 31, 2021.

COBRA coverage requirements expanded for “involuntary separations”.

City has \$2.1 million of unreimbursed EPL and Family Leave costs under FFCRA; another \$3 million of leave balances remain.



# Financial Background

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- \$37 million of lost revenue through 2021 due to economic effects of COVID-19 **compared to 2019.**
- General Fund balance reduced by at least \$10 million through 2021 (13% of GF budget vs 15% goal)
- Parking Utility balance dramatically depleted – cannot cash fund ramp reconstructions
- Monona Terrace balance completely depleted – facing additional deficit in 2021
- Room Taxes – 30% to 40% reductions to 2021 adopted amounts; GF effect -- \$1 million
- One-time savings in 2021 budget – furloughs (\$1.2m) and use of fund balance (\$8.0m)

Revenue Source	2019 Actual	2020		2021		2020 Difference		2021 Difference		2020 vs 2019 Difference		2021 vs 2019 Difference	
		Budget	Pre-Final	Pre-COVID	COVID	\$	%	\$	%	\$	%	\$	%
Property Tax	241,668,043	250,016,152	250,016,152	255,534,781	255,534,781	-	0.0%	-	0.0%	8,348,109	3%	13,866,738	6%
State Aid	38,503,529	40,701,836	40,784,303	40,066,587	40,066,587	82,467	0.2%	-	0.0%	2,280,774	6%	1,563,058	4%
General Fund Charges for Services	14,786,357	13,389,049	12,686,788	14,189,186	12,761,243	(702,261)	-5.2%	(1,427,943)	-10.1%	(2,099,569)	-14%	(2,025,114)	-14%
General Fund License and Permits	7,385,412	7,376,920	6,359,887	7,376,920	7,216,920	(1,017,033)	-13.8%	(160,000)	-2.2%	(1,025,525)	-14%	(168,492)	-2%
General Fund Fines and Forfeitures	6,452,870	6,500,000	3,943,973	6,452,864	5,350,000	(2,556,027)	-39.3%	(1,102,864)	-17.1%	(2,508,897)	-39%	(1,102,870)	-17%
General Fund Investment Income	5,767,747	4,000,000	1,300,000	4,000,000	1,000,000	(2,700,000)	-67.5%	(3,000,000)	-75.0%	(4,467,747)	-77%	(4,767,747)	-83%
General Fund Other Revenues (exc transient occup tax)	12,478,207	12,859,200	11,985,557	13,315,200	12,278,000	(873,643)	-6.8%	(1,037,200)	-7.8%	(492,650)	-4%	(200,207)	-2%
<i>General Fund Total (exc. transient occup tax)</i>	<i>327,042,165</i>	<i>334,843,157</i>	<i>327,076,660</i>	<i>340,935,538</i>	<i>334,207,531</i>	<i>(7,766,497)</i>	<i>-2.3%</i>	<i>(6,728,007)</i>	<i>-2.0%</i>	<i>34,495</i>	<i>0%</i>	<i>7,165,366</i>	<i>2%</i>
Transient Occupancy Tax	18,921,359	19,552,138	6,000,000	20,138,702	9,000,000	(13,552,138)	-69.3%	(11,138,702)	-55.3%	(12,921,359)	-68%	(9,921,359)	-52%
Parking Utility Revenues	17,331,033	14,888,700	6,862,781	14,596,606	8,959,500	(8,025,919)	-53.9%	(5,637,106)	-38.6%	(10,468,252)	-60%	(8,371,533)	-48%
Monona Terrace Convention Center Charges	5,256,347	4,680,765	1,609,290	4,680,765	3,835,170	(3,071,475)	-65.6%	(845,595)	-18.1%	(3,647,057)	-69%	(1,421,177)	-27%
<b>Totals</b>	<b>368,550,904</b>	<b>373,964,760</b>	<b>341,548,731</b>	<b>380,351,611</b>	<b>356,002,201</b>	<b>(32,416,029)</b>	<b>-8.7%</b>	<b>(24,349,410)</b>	<b>-6.4%</b>	<b>(27,002,173)</b>	<b>-7%</b>	<b>(12,548,703)</b>	<b>-3%</b>

# Parking Utility -- \$32 million revenue loss through 2024

## Parking Fund Estimated Cash Balance

### Without Pandemic

	2020	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
Operating Revenues	17,499,121	17,257,133	17,456,634	17,660,343	17,868,367	18,080,819
Operating Expenses	14,999,121	14,757,133	14,956,634	15,160,343	15,368,367	15,580,819
Revenue Less Expense	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000

### Available Cash Balance

Beginning of FY*	29,644,878	32,144,878	34,644,878	37,144,878	39,644,878	42,144,878
Accrued Cash Balance	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
<b>End of FY</b>	<b>32,144,878</b>	<b>34,644,878</b>	<b>37,144,878</b>	<b>39,644,878</b>	<b>42,144,878</b>	<b>44,644,878</b>

### With Pandemic

	2020 Actual	2021 Budget	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected
Operating Revenues	7,314,593	14,757,133	7,000,000	10,000,000	14,000,000	15,500,000	15,500,000
Operating Expenses	14,999,121	14,757,133	14,757,133	14,956,634	15,160,343	15,368,367	15,580,819
Revenue Less Expenses	(7,684,529)	-	(7,757,133)	(4,956,634)	(1,160,343)	131,633	(80,819)

### Available Cash Balance

Beginning of FY*	29,644,878	21,960,349	21,960,349	14,203,216	9,246,582	8,086,239	8,217,872
Applied Cash Balance	(7,684,529)	(5,697,633)	(7,757,133)	(4,956,634)	(1,160,343)	131,633	(80,819)
<b>End of FY</b>	<b>21,960,349</b>	<b>16,262,716</b>	<b>14,203,216</b>	<b>9,246,582</b>	<b>8,086,239</b>	<b>8,217,872</b>	<b>8,137,053</b>

### 2020 CIP - Lake Street Garage

Parking Reserves Applied				1,200,000	20,800,000		
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\*2020 one-time revenues from the sale of property at the Wilson Street Garage included in cash balance  
An additional \$6 million in revenue may be received from the block 88 project in the future

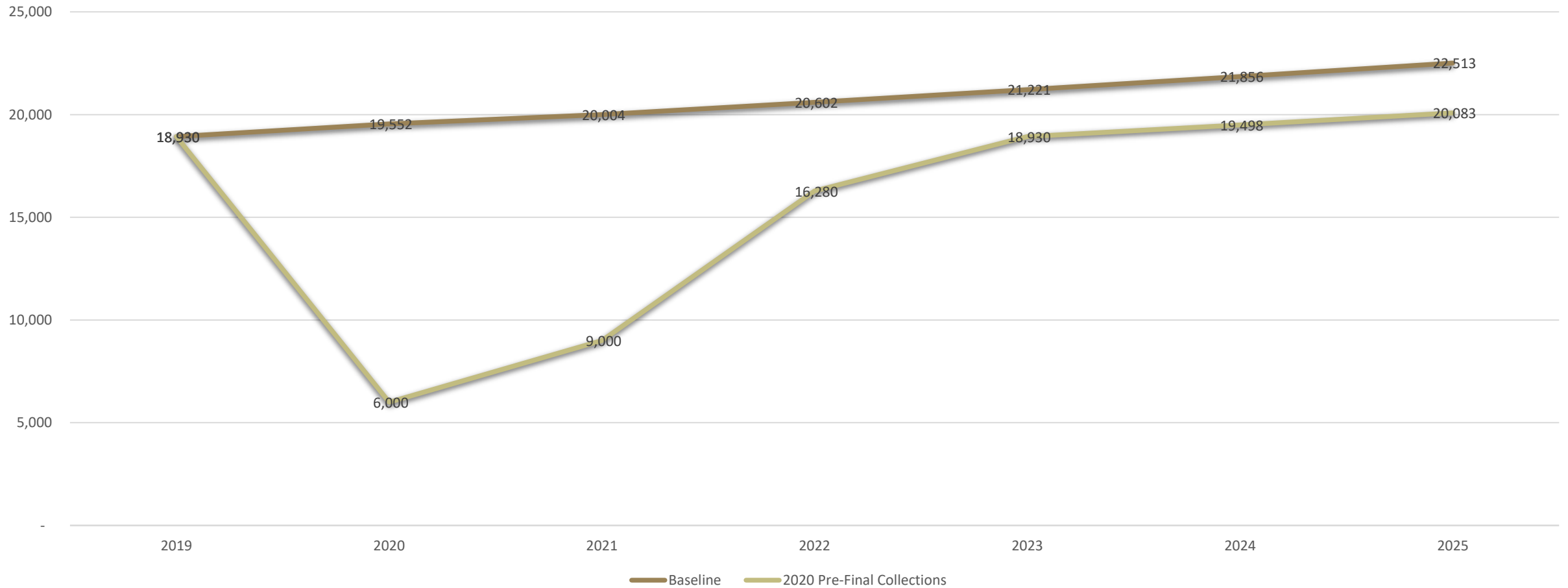
#### Projection Assumptions

- "Without pandemic" projection assumed to generate \$2.5 million in fund balance annually
- "With pandemic" projected revenues based on Parking's estimates with expectation that revenues begin to recover by the end of 2022

# Room Tax -- \$25 million revenue loss through 2024

*30% is transferred to General Fund -- \$7.5 million through 2024*

**Room Tax Forecast -- 2019 to 2025**



# Monona Terrace -- \$4.1 million net cash loss through 2021

<b>Monona Terrace Revenues, Expenses, and Cash Balance</b>			
	<b>2020 Actual</b>	<b>2021 Budget</b>	<b>2021 Projected</b>
<b>Operating Revenues</b>			
Catering Concessions	\$1,058,794	\$5,000,000	\$2,500,000
Facility Rental	\$1,585,480	\$3,751,575	\$1,875,788
Room Tax	\$4,567,291	\$3,559,302	\$2,500,000
Other	\$254,880	\$382,160	\$254,880
<b>Subtotal</b>	<b>\$7,466,445</b>	<b>\$12,693,037</b>	<b>\$7,130,668</b>
<b>Operating Expenses</b>			
Salaries and Benefits	\$5,003,628	\$4,733,356	\$4,733,356
Catering Vending Services	\$1,058,794	\$5,000,000	\$2,500,000
Supplies & Purchased Services	\$1,569,874	\$2,056,027	\$2,056,027
Interdepartmental Charges	\$497,256	\$514,231	\$514,231
PILOT	\$310,016	\$338,200	\$338,200
Other	\$40,831	\$51,223	\$51,223
<b>Subtotal</b>	<b>\$8,480,399</b>	<b>\$12,693,037</b>	<b>\$10,193,037</b>
<b>Revenues Less Expenses</b>	<b>(\$1,013,954)</b>	<b>\$0</b>	<b>(\$3,062,370)</b>
<b>Available Cash Balance</b>			
January 1st	\$3,555,035		\$1,544,182
Applied Cash Balance	(\$2,010,853)		(\$3,062,370)
<b>December 31st</b>	<b>\$1,544,182</b>		<b>(\$1,518,188)</b>

# City's General Fund Condition

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## 2020

- No change in General Fund balance – approximately 16% of 2021 General Fund budget
- \$8.6 million of federal CARES Act funding for Transit replaced General Fund subsidy to Metro
- \$4.7 million of federal CARES Act funding from state through Routes to Recovery for COVID costs.
- Limited hiring; redeployed staff; closely reviewed management contracts; no travel

## 2021

- Permanent cuts; no GME pay increase
- \$1.2 million in temporary compensation reductions (i.e., furloughs, Workshare)
- \$1.5 million of police and fire reductions
- Some revenue increases (ambulance fee, building permits, Town of Madison fire/inspection services)
- \$8 million from general fund balance

2022 – at least \$9.2 million gap from one-time reductions and use of fund balance in addition to on-going structural gap (on-going expenditures exceed on-going revenues).

# Guiding Principles and Priorities

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ALLOCATION OF LOCAL GOVERNMENT AID



# American Rescue Plan Act Guiding Principles

## Government Finance Officers Association

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1. ARPA funds are non-recurring so their use should be applied to non-recurring expenditures
2. Look for partnerships with the state, other jurisdictions and non-profits on use of ARPA funds.
3. Take time and carefully consider all alternatives to ensure best use of this temporary funding.

Rating agencies will evaluate use of ARPA funds in credit analyses particularly in the context of reserve levels and maintaining/achieving a structurally balanced budget.

ARPA funding is a unique opportunity to make strategic investments in long-lived assets, rebuild reserves to enhance financial stability, and cover temporary operating shortfalls until economic conditions and operations normalize.





**Adaptability**

*Does it help the Madison community prepare for the new normal driven by COVID?*



**Environmental Sustainability**

*Does it reinforce efforts to protect the environment and advance strategies to lessen the effects of climate change?*



**Equity**

*Does it address documented disparities in the community or support communities of color and/or marginalized groups?*

**City Funding and Recovery Team**



**Financial Sustainability**

*Does it avoid furloughs/ layoffs, protect and replenish operating reserves, ensure structural balance, and focus one-time funding on one-time investments?*



**Health**

*Does it increase the spectrum of healthy option including food access, physical activity, safety, and environmental health?*

**Guiding Principles**

# City Funding and Recovery Team Priorities

- Ensuring protection from COVID-19, including access to vaccination and testing
- Ensuring access to housing, food, child care and broadband.
- Supporting broad-based business recovery and job creation
- Protecting, restoring and expanding transit access.

# Transit Plan – Allocation of \$69 million

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- Use \$26.3 to replace formula funds used for maintenance (extends funding life – which can be used for capital purchases (buses) later)
- Use \$25.6 to replace lost Metro operating revenues (fare replacement) – includes \$8.6 million used to replace General Fund subsidy to Metro in 2020.
- Use \$10.3 million on Metro capital expenditures (eg technology upgrade)
- Set up \$7 million fund to make capital improvements that reduce operating costs – addressing long-term structural deficit.
  - (Use \$7 million of rescue money in BRT to replace local funds, then use \$7 million of local funds to make improvements)

# Other Key ARPA Programs

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1. Housing and rental assistance
2. Education – K-12; Higher Ed; Libraries/Broadband
3. Child care
4. Business support – restaurants and bars, shuttered venues, PPP, EIDL, small business credits.

# County Examples

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- Food security – CARES Act funding is being depleted
- Business assistance – providing gap funding in advance of provisions in CAA and ARP (e.g., shuttered venues, restaurants, bars)
- Mental health assistance for school-age population
- Homeless sheltering at hotels/motels – add to CARES Act funding and develop an exit strategy that might include short-term rental assistance and case management
- County facility retrofits to help support telework/hybrid work situations if public health issues resurface
- Business relief for non-profits that lost own source revenues due to pandemic (e.g., inability to hold fundraisers, etc.).

# Possible Gaps

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- Youth (summer programs, mentorships, jobs)
- Affordable housing
- Small businesses that are ineligible for federal support (single employees) or that will continue to be heavily impacted (performance artists)
- Long-term access to information technology and the internet for residents
- Infrastructure modernization for a more technology-connected community and workforce

# Other Federal Funding Legislation

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## FFY 2022 Appropriations Bill

- Community Project Funding proposals (~\$1 million each; expended between October 1, 2022 and September 30, 2023) – **four projects submitted:**
  - Men's shelter
  - Vision Zero
  - Blackhawk stormwater pond
  - Nakoosa Trl. Area water mains.

Surface Transportation Reauthorization – five year horizon

Infrastructure Bills – eight year horizon

# Next Steps

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- Funding and Recovery Team workgroups developing options and priorities for “gaps”.
- Mayor 1 on 1 meetings with Council members to discuss federal funding and city budget priorities.
- Transit plan appropriation resolution in late April / early May
- Federal funding update briefing at April 26<sup>th</sup> Finance Committee meeting.
- Guidance on use of local government aid available around May 11<sup>th</sup>.
- Begin to develop resolution(s) amend 2021 city budget to reflect federal ARPA funding as soon as late May / early June.
- Monitor interactions with other federal legislation.