

Date: March 9, 2022
To: City Council
From: Mark Israelson, City Manager
Subject: American Rescue Plan Act (ARPA) Funds – 2nd Tranche

On May 26, 2021, the City was provided notice it would receive of \$36.4 million in Federal funds from the American Rescue Plan Act (ARPA) in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later in May 2022. On June 1, 2021, \$18.2 million was received.

At that time the City Council agreed to claiming 100% of the funds for the initial tranche under the following category: *Revenue replacement for the provision of government services*

Staff recommended applying the \$18.2 million from tranche 1 in the following funds:
\$15.7 million for the General Fund
\$1.0 million for the Convention and Tourism Fund
\$1.5 million for the Recreation Revolving Fund

Once the funds have been claimed under the eligible use (revenue replacement), the City can utilize these one-time funds as City Council deems appropriate (except for replenishment of rainy day funds or reserves). Staff recommended and Council concurred to utilizing the funds as follows:

General Fund: Traffic flow is consistently one of the top complaints submitted by citizens. The citizens provided authorization for bonds for traffic signal upgrades during the 2021 Bond Referendum, however there are some additional enhancements that can be implemented to the system. Staff recommended applying \$8 million to the traffic signal upgrade program to enhance the upgrade the traffic signal project by adding a vehicle detection system.

The remaining \$7.7 million were allocated through the operating budget requests (including public safety services) for the 2021-22 budget cycle.

Convention and Tourism: Applied \$1 million to restore the fund to the pre COVID levels. This allowed the City to restore funding for Arts grants at the \$1 million level as part of the budget process.

Recreation Revolving: Applied \$1.5 million to restore the fund to the pre COVID levels.

In early 2022 staff started preparing for tranche 2 (May 2022) of the Federal funds by analyzing strategic uses of the one-time funds within the US Treasury guidelines. Councilmembers provided previous preference for Capital Improvement projects that will provide relief to existing/planned City expenditures. Staff has also re-evaluated the lagging impact of COVID and the economic downturn and provides the following recommendations:

All 100% of the funds of tranche 2 have been claimed under the category: *Revenue replacement for the provision of government services*. No additional documentation is needed.

Staff recommends allocating the \$18.2 million from tranche 2 in the following funds:

\$10.0 million for the Water and Sewer Fund

\$8.2 million for the General Fund

Staff recommends utilizing the allocated funds as follows:

Water and Sewer: The loss of commercial water and sewer revenue (due to work from home) has greatly impacted the water and sewer fund. Providing \$10 million to fund the sewer CIP project of a parallel sewer interceptor line along Plano Parkway, will provide funds for a critical capacity project that will take place over the next two years. This project is expected to begin construction in Summer 2022.

General Fund: Winter storm Uri caused the City to evaluate self-reliance to electric grid issues as well as the need for the City to have warming or cooling centers in case of extreme emergency. Staff has evaluated the generator capacity at a number of city facilities and has begun upgrading existing systems and has identified a number of new generators for recreation centers and Plano Event Center that will allow the City to more effectively respond to emergencies. This project is underway through the capital maintenance fund, but an additional \$5 million is needed to complete the project.

The remaining \$3.2 million would be available to acquire land to relocate Fire Station 3, which is currently located along Shiloh Road in a residential area. This fire station needs major renovations, including expansion/extension of the apparatus bays to accommodate our standard fire vehicles and is expected to be addressed in the next Bond Referendum. Because it is located in a residential area, a better solution is moving the station to a new location that would improve our coverage/response times and minimize the disruption to the residential neighborhood. Under this scenario, the existing station could be utilized as our radio shop and renovated at a later date. After the land has been acquired, the funds for a new Fire Station 3 would be included on the next bond referendum.