



**CITY OF COLLEGE PARK, MARYLAND
REGULAR COUNCIL MEETING**

AGENDA ITEM 22-O-02

Prepared By: Gary Fields,
Director of Finance

Meeting Date: February 22, 2022

Presented By: Gary Fields,
Director of Finance

Consent Agenda: No

Originating Department: Finance

Action Requested: Introduction of Ordinance 22-O-02, an ordinance to amend the Fiscal Year 2022 Budget (FY 2022 Budget Amendment #2) to transfer the recovery of lost revenue of \$10 million from the City's ARPA Allocation Fund to the General Fund, with a Public Hearing to be held on March 8, 2022, at 7:30 p.m.

Strategic Plan Goal: Goal 6: Excellent Services

Background/Justification:

Recovery of lost revenue is an allowable use of ARPA funds. Under the U.S. Treasury's ("Treasury") interim rule for State and Local Fiscal Recovery Funds (SLFRF), calculations to determine the amount of lost revenue that could be recovered would be made annually for five calendar years (2020-2024).

On January 11, 2022, Treasury issued their final rule for SLFRF. One of the major changes in the final rule, was simplification of the process of determining the amount of revenue loss by allowing recipients to elect a "standard allowance" of \$10 million to spend on government services through the period of performance.

Under this option, Treasury presumes that up to \$10 million in revenue has been lost due to the public health emergency and recipients are permitted to use that amount (not to exceed the award amount) to fund "government services." The standard allowance provides an estimate of revenue loss that is based on an extensive analysis of average revenue loss across states and localities, and offers a simple, convenient way to determine revenue loss, rather than calculating revenue loss through the full formula applied annually.

After review of this new rule, staff determined that the election of the \$10 million standard allowance for revenue loss would be beneficial to the City and at the February 8, 2022, Council Worksession recommended it for the following reasons:

- Provides revenue loss funds much sooner than annual calculations, that only become available in January of each year of the calculation. This provides significantly more flexibility in the use of those funds.
- More certainty in planning with the known amount of revenue loss (\$10 million) rather than planning based on annual calculations that are dependent on projections that may not occur as planned.
- Allows the City to claim more SLFRF under the loss revenue provision than by calculating loss revenue through the two alternative methods. Claiming more under the loss revenue provision can be advantageous:
 - o SLFRF claimed as loss revenue allows for much more flexibility in terms of use of funds.
 - Loss revenue funds may be used "for the provision of government services," which encapsulates most activities conducted by recipient governments.

- Decreases the administrative/reporting burden.
 - A one-time transfer of \$10 million rather than five annual calculations and related transfers of those amounts.
 - Under the standard allowance revenue loss is not expected to be an annual reporting requirement of the Project and Expenditure Report. Under the two other methods revenue loss would have to be reported yearly.

The revenue loss recovered will be transferred from the ARPA Allocation Fund to the General Fund. From there, amounts not deemed for general government services will be transferred to the Capital Projects Fund (CIP).

A portion of this \$10 million standard allowance will still be allocated for uses of lost revenue recovered as approved in Budget Amendment #1 (Ordinance 21-O-14) as noted below:

FY2022 Budget – increase various departmental operating expenses	\$ 180,000
FY2022 real estate property tax rate reduction to the CYTR	380,000
City-wide Hydrology and Hydraulics Study (Transfer to CIP)	600,000
Grants for 3 local volunteer fire departments (Admin. budget- Mayor & Council)	150,000
Old Parish House repairs (Transfer to CIP)	100,000
Attick Towers senior housing repairs (Transfer to CIP)	<u>469,587</u>
 Total use of lost revenue recovered previously approved	 <u>\$1,879,587</u>

The remaining \$8.12 million (of the \$10 million standard allowance) will be treated as funds to be used for expenditures that could have been made with ARPA funds and/or that have been, or will be, discussed in City Council meetings but are awaiting formal approval by the City Council. As a result, the transfer of funds to the CIP as a result of the recovery of lost revenue is not included with this amendment but will be a part of the FY2023 Budget.

Fiscal Impact:

There is no net impact from this budget amendment as the revenue is offset by an equal amount of expenditures. Further, the entire amount of the revenue that provides for these expenditures is from the City’s ARPA allocation.

Council Options:

1. Introduce Ordinance 22-O-02, an ordinance to amend the Fiscal Year 2022 Budget (FY 2022 Budget Amendment #2) to transfer the recovery of lost revenue of \$10 million from the City’s ARPA Allocation Fund to the General Fund.
2. Take no action at this time.

Staff Recommendation:

Option #1.

Recommended Motion:

I move to introduce Ordinance 22-O-02, an ordinance of the Mayor and Council of the City of College Park, to amend the Fiscal Year 2022 Operating and Capital Budget of the City of College Park, Maryland (FY 2022 Budget Amendment #2) to transfer the recovery of lost revenue of \$10 million from the City’s ARPA Allocation Fund to the General Fund and schedule a public hearing for March 8, 2022.

Attachments:

1. Ordinance 22-O-02, FY2022 Budget Amendment #2