

Following is more information allowable uses of ARPA State and Local Fiscal Recovery funds:

Category 1: Support public health:

- ARPA provides resources to meet and address emergent public health needs, measures to counter the spread of COVID-19 through the provision of care for those impacted by the virus, and through programs or services that address disparities in public health that have been exacerbated by the pandemic.
- Examples include:
 - Vaccine programs, personal protective equipment, and medical expenses
 - Enhancing public health data systems
 - Capital investments in public facilities to meet pandemic operational needs
 - Mental health/substance abuse treatment
 - Crisis intervention/hotlines
 - Services to promote access to social services
 - Payroll & benefits for public health/safety workers
- This area is geared more towards the functions carried out by Counties rather than Towns, but the Town was able to use CARES money on mask distribution, improvements to the IFC Shelter, and supplies for community members experiencing homelessness, which are examples of eligible expenditures under this category. The Town will continue to seek opportunities in this area to offset current or future costs.

Category 2: Address negative economic impacts:

- The pandemic caused a significant economic and financial hardship for many. ARPA provides resources to relieve the impact to workers, households, small businesses, and affected industries.
- Examples include:
 - Small business support in the form of loans, grants, in-kind assistance for operation continuity
 - Implement COVID-19 mitigation measures to enable safe resumption of impacted industries such as tourism, travel, and hospitality services (ventilation improvements, physical barriers or partitions, signage to facilitate social distancing, PPE)
 - Investing in the hardest hit populations where the pandemic exacerbated the socioeconomic disparities in housing, education, health & welfare, and jobs.
- Eligible use must “respond to” the identified negative economic impact.
- ***NOTE:*** State law does not allow governments to give money away. Town must contract with a private entity (individual, small business, non-profit) to perform a specific activity that we have the statutory authority to perform.

Category 3: Replace lost Town revenue

- ARPA provides state and local governments with the resources to stabilize their operating budgets. Many governments incurred large deficits in 2020 as the economic slowdown hurt

tax revenues and local governments assumed significant pandemic related costs. To remedy this imbalance, many cities and Towns pared back essential services.

- ARPA allows for the provision of government services to the extent of the reduction in revenue due to the COVID-19 pandemic relative to the revenues collected in the most recent fiscal year prior to the emergency.
- Examples of allowable uses include:
 - Maintenance of existing capital
 - Pay go capital
 - Vehicles
 - Streets & sidewalks
 - General local government programs and services

The following are steps necessary to calculate lost revenue:

1. Step 1 – Identify revenues collected in the most recent fiscal year prior to pandemic

(FY2019 = Town’s base year revenue)

- Look at entire organization
- Remove debt proceeds, intergovernmental transfers from federal gov’t

FY 19 base year revenue \$84,936,472

Growth factor = 5.55%

2. Step 2 – Estimate counterfactual revenue = base year revenue *

$((1 + \text{growth rate})^{(n/12)})$

- Growth rate is based on the larger of the average growth rate for the three prior years or 4.1%

Counterfactual revenue \$87,260,317

Actual 2020 revenues \$83,085,019

Reduction 2020 revenues \$ 4,175,298

- N is the number of months that have elapsed since the end of the base year to the calculation date

3. Step 3 – Identify actual revenues collected over last twelve months (2020 calendar year)

4. Step 4 – Reduction in revenue = counterfactual revenue – actual revenue

Using this formula, the Town experienced a \$4,175,298 decrease in revenues in calendar year 2020. However, note that the revenue loss calculation does not represent an actual loss experienced by the Town. The revenue loss calculation differs from actual results:

- 1) Looks at the entire organization instead of individually by fund
- 2) Calculates a growth rate based on 3 year historical information for all funds instead of just looking at the General Fund
- 3) Based on a calendar year timeline instead of fiscal year timeline

The Town was very conservative when budgeting for FY2021 as there were many factors related to the pandemic that were still unknown. FY2021 finished very strong as a result of:

- 1) Very strong sales tax growth (15% higher than previous year)
- 2) Hiring freeze (personnel savings from holding positions vacant)
- 3) Budget cuts that were made to help balance the budget (did not budget or decreased the amount allocated to: maintenance, pay-go capital, vehicle replacements, OPEB).

Additional information will be shared with Council at the December 1st work session.

Category 4: Premium pay for essential workers

- The Fiscal Recovery Funds provide resources to respond to workers performing essential work during the COVID-19 pandemic by providing premium pay to eligible workers.
- Eligibility:
 - Employees must perform regular in-person work and/or work that is directly mitigating the impacts of the pandemic.
 - Public safety, sanitation workers, bus drivers
 - An amount up to \$13/hour (not to exceed \$25,000/worker) and should be prioritized for lower income eligible workers.
 - One category that can be paid back retroactively.

Category 5: Water, sewer and broadband infrastructure

- The Fiscal Recovery Funds provide resources to make necessary investments in water, sewer, or broadband infrastructure.
- Allowable Uses Include:
 - Improving drinking water infrastructure including the replacement of lead service lines
 - Improving wastewater infrastructure
 - Expanding broadband internet access to unserved or underserved households and businesses (not allowed in NC)
- Note that municipalities cannot provide free public broadband services in North Carolina by state statute