



ADMINISTRATIVE REPORT

File #: 24-341

Meeting Date: 5/6/2024

Report Prepared by: Scott McBride, City Manager

SUBJECT: Report on the City Council Adopted American Rescue Plan Act (ARPA) Strategic Investment Plan, Including Seeking Direction on Other Reinvestment Options

REPORT IN BRIEF

Report on the City Council adopted American Rescue Plan Act (ARPA) Strategic Investment Plan, including seeking direction from the City Council on other Reinvestment options.

RECOMMENDATION

Provide staff direction on reinvestment options related to the implementation of the ARPA Strategic Investment Plan.

AUTHORITY

Charter of the City of Merced, Section 200.

BACKGROUND

In 2021, the City of Merced was allocated \$27,427,882 in ARPA funding from the Federal Government. The funds were intended to provide support to State, local, and Tribal governments in responding to the impact of COVID-19 and their efforts to contain COVID-19 on their communities, residents, and businesses. Eligible uses are public health and economic impacts, premium pay, reduction in revenue, and investments in infrastructure. The Final Rule, which is a guiding document issued by the Federal Government requires the City obligate the funding by December 2024 and expend all funds by December 2026.

During the October 18, 2021, Study Session, Staff and Council reviewed the survey results and public input regarding the ARPA funding allocation. During the Study Session Council received input from the public and provided staff areas of interest for ARPA funding allocation.

During the November 1, 2021, Public Hearing, the Council received input from the community and provided a refined list of projects for staff to evaluate. Those projects included: Affordable Housing, Water - conservation & SB 244, Broadband, Applegate Zoo, Downtown - Public Spaces & Street Scape, CP-42/Sports Fields, Utility Bill Relief, Job Training, Tourism, Stimulus Payments, Expanded Youth Services, On-going Operational Needs, Kiddie Land/Non-Profit Support, and City Beautification.

In addition to the areas above, the City Council also considered a program for Universal Basic Income (UBI). After discussion, the Council voted 4-3 to not move forward with the program. For this

reason, UBI was not evaluated for future direction.

During December 6, 2021, Public Hearing, the City Council adopted the ARPA Strategic Investment Plan.

As part of the Mid-Year Budget update in February of 2023, the City Council directed staff to evaluate potential options for re-investment and to return prior to the presentation of FY 2023-24 Budget to receive additional direction.

On May 1, 2023, Staff brought the ARPA Strategic Investment Plan to the City Council for evaluation of potential options for re-investments. The Council adopted changes to the plan that were incorporated in the FY 23-24 budget.

On November 6, 2023, per City Council request, staff provided a Utility Bill Relief Program update. The City Council chose to continue the program until March 31, 2024. At that time any funding left from this program would automatically be re-invested in the construction of Community Park #42. On March 31, 2024, \$557,948 was remaining in the program and will be re-invested per Council Direction.

DISCUSSION

This report provides a financial and project update and allows for direction from the City Council to make any additional necessary changes to the ARPA Strategic Investment Plan. Attached is an accounting of the City Council approved original investment and approved re-investments since inception through March 31, 2024.

As part of the annual budget process separate meetings were held with various departments to discuss ARPA projects. The goal of these meetings was to ensure that obligation and expenditure requirements could be met. Based on those two criteria there are some recommendations to reallocate funds to other projects. There are also some recommendations to allocate remaining fund balance on some completed projects or programs. These changes include the following;

Broadband - reallocate \$1,051,020 to CP42.

The CP42 project has a current shortfall of approximately \$1.2 million. To bridge this gap the ARPA funds along with Public Facility Finance Program (PFFP) funding in the amount of \$200,000 are being requested. The PFFP funding will be included in the 2024-25 budget request.

The broadband project is unlikely to meet year end obligation requirements due to the contingency on county broadband project and its timing.

Street Parklets - reallocate \$150,000 to Stephen Leonard and \$50,000 to Applegate Zoo.

Stephen Leonard has been closed for some time due to fire damage, water damage, and vandalism. The city is currently coordinating with our insurance provider to repair damages. The claim will not cover the full scope of work that needs to be completed there is also deferred maintenance that needs to be addressed.

The Applegate Zoo project is very unique. An RFP was issued for design and engineering but there

were no responders. Staff has determined that many zoo's utilize a design build approach. Coordination with the City Attorney's Office is underway to advance the project under this approach. It's anticipated that additional funds may be necessary for the project or additional funds could add additional amenities. This is the basis for the additional funding request of \$50,000.

The Street Parklets project was intended to follow the Downtown One-Way project. The One-Way project is subject to approval of an environmental document and other project approvals by CALTRANS related to the Hwy 59 safety project. The two are tied since the One Way is a mitigation measure for adding capacity to Hwy 59. Staff is anticipating CALTRANS will take appropriate actions in time to allow the One-Way to meet the obligation and expenditure requirements. Unfortunately, the parklets project would be a subsequent project and will not be obligated by year end.

Stimulus Payments - allocate \$9,500 remaining balance to CP42.

Remaining Funds - allocate \$7,836 to CP42.

IMPACT ON CITY RESOURCES

No impact on City resources at this time.

ATTACHMENTS

1. ARPA Strategic Investment Plan Update
2. Presentation

ARPA Program	Original Allocation	5/1/2023 Re-Investment	11/6/2023 Re-Investment	Revised Allocation	Spent as of 3/31/24	Obligated as of 3/31/25	Balance
Affordable Housing	\$6,500,000	\$1,000,000		\$7,500,000	(\$1,690,462)	(\$1,309,538)	\$4,500,000
Water	\$2,500,000	(\$2,500,000)		\$0			\$0
Broadband	\$2,650,000	(\$1,500,000)		\$1,150,000	(\$14,950)	(\$84,030)	\$1,051,020
Applegate Zoo Renovation/Expansion	\$2,000,000			\$2,000,000	(\$90,460)	(\$33,041)	\$1,876,500
Applegate Restroom		\$425,000		\$425,000	(\$370,752)	(\$50,758)	\$3,490
Bob Hart Square Expansion	\$800,000			\$800,000	(\$38,097)	(\$29,387)	\$732,516
Mainstreet Directional Enhancements	\$750,000			\$750,000	(\$9,999)	(\$10,001)	\$730,000
Parklets/Beautification	\$200,000			\$200,000			\$200,000
Community Park #42	\$5,000,000	\$3,350,000	\$557,948	\$8,907,948	(\$4,361,867)	(\$3,988,131)	\$557,950
Tourism	\$0			\$0			\$0
Utility Bill Relief	\$1,000,000		(\$557,948)	\$442,052	(\$442,052)		\$0
Job Training Program	\$1,025,000	\$1,175,000		\$2,200,000	(\$177,630)	(\$847,370)	\$1,175,000
Stimulus Payments	\$1,000,000	(\$228,000)		\$772,000	(\$762,500)		\$9,500
Expanded Youth Programs	\$250,000			\$250,000	(\$1,375)		\$248,625
Non-Profit Support	\$1,500,000			\$1,500,000	(\$936,130)	(\$563,870)	\$0
COVID-19 City Expense	\$811,448	(\$288,402)		\$523,046	(\$523,046)		\$0
Est. Total	\$25,986,448	\$1,433,598	\$0.00	\$27,420,046	(\$9,419,320)	(\$6,916,125)	\$11,084,601
ARPA Allocation	\$27,427,882			\$27,427,882			
Remaining Funds	\$1,441,434			\$7,836			

AMERICAN RESCUE PLAN ACT - ARPA

**CITY COUNCIL MEETING
MAY 6, 2024**

Background

ARPA

- Allocated \$27,427,882 in funding
- Study Session – Survey in 2021
- Must obligate by December 2024 and expend all by December 2026

Council Actions

- Adopted ARPA Plan December 2021
- May 2023 evaluation and options for reinvestment adopted
- November 2023 – Utility Bill Relief reinvestment to CP42 - \$557,948

CURRENT ALLOCATIONS

Category	Amount	Spent or Obligated	Balance	Project Status
Affordable Housing	\$7,500,000	\$3,000,000	\$4,500,000	Remaining funds for Bella Vista and Gateway Terrace II
Water	0	\$0	\$0	
Broadband	\$1,150,000	\$98,980	\$1,051,020	Seeking direction to reallocate funds to CP42
Applegate Zoo Renovation/Expansion	\$2,000,000	\$123,501	\$1,876,500	RFP being issued for Design - Build
Applegate Restroom	\$425,000	421,510	\$3,490	Funds will be expended
Bob Hart Square Expansion	\$800,000	\$67,484	\$732,516	In design
Mainstreet Directional Enhancements	\$750,000	\$20,000	\$730,000	Pending environmental approval for HWY 59 Project (mitigation measure)
Parklets/Beautification	\$200,000	\$0	\$200,000	Seeking Direction to reallocate to Stephen Leonard and Applegate Zoo
Community Park #42	\$8,907,948	\$8,349,998	\$557,950	In Construction – Phase I & 2
Utility Bill Relief	\$442,052	\$442,052	\$0	To be allocated to CP42 - prior council direction
Job Training Program	\$2,200,000	\$1,025,000	\$1,175,000	Under contract with Merced County Workforce
Stimulus Payments	\$772,000	\$762,500	\$9,500	Seeking direction to reallocate funds to CP42
Expanded Youth Programs	\$250,000	\$1,375	\$248,625	CalVIP required match
Non-Profit Support	\$1,500,000	\$1,500,000	\$0	
COVID-19 City Expense	\$523,046	\$523,046	\$0	
Est.Total	\$27,420,046	\$16,335,445	\$11,084,601	
ARPA Allocation	\$27,427,882			
Remaining Funds			\$7,836	

Recommendations

- Broadband - reallocate to CP42 - \$1,051,020
 - Project is unlikely to meet obligation by year end due to contingency on county broadband project and timing
- Street Parklets – reallocate \$150,000 to Stephen Leonard
- Street Parklets – reallocate \$50,000 to Applegate Zoo
 - Project is contingent on Downtown One Way and will not be obligated by year end
- Stimulus Payments – allocate \$9,500 remaining balance to CP42
- Remaining Funds – allocate \$7,836 to CP42



CP-42 PHASING

Current Approved ARPA allocation
\$8,907,948 for Phase 1 & 2

Remaining Balance to complete both
phases is approximately \$1,200,000

- Lighting - \$1,100,000
- Soil Prep and Hydro Seeding \$315,000
- General Landscaping - \$26,000
- Communications - \$15,000
- Score Board - \$50,000
- Site Grading - \$65,000
- Soccer Goals & barriers - \$50,000
- Contingency & Engineering Fees - \$109,000

Remaining funds from PFFP

Questions Feedback Direction or Motion