



Office of the
**INDIAN RIVER COUNTY
ADMINISTRATOR**

Jason E. Brown, County Administrator
Michael C. Zito, Assistant County Administrator

MEMORANDUM

TO: Members of the Board
of County Commissioners

FROM: Jason E. Brown
County Administrator

PREPARED BY: Kristin Daniels
Director, Management & Budget

DATE: August 9, 2021

SUBJECT: American Rescue Plan Act of 2021 – Spending Plan Revisions

BACKGROUND:

On March 11, 2021, President Biden signed the \$1.9 trillion American Rescue Plan Act of 2021. The American Rescue Plan (ARP) as it is normally referred to, is a COVID-19 stimulus package that was intended to speed up the United State’s recovery from negative health and economic impacts of COVID-19. Indian River County’s ARP allocation was originally anticipated to be \$31,292,756. Funding will be awarded in two phases with the first 50%, or \$15,646,378, being awarded within 60 days of the bill being signed which was scheduled to be sometime in mid-May. The remaining 50%, phase 2 allocation will be awarded not earlier than 12 months after the date on which the first allocation was paid. The County will have until December 31, 2024 to encumber the funds, and until December 31, 2026 to fully exhaust funds. Use of funds as outlined in the bill text are as follows:

“(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
“(B) to respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the metropolitan city, nonentitlement unit of local government, or county that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work;

“(C) for the provision of government services to the extent of the reduction in revenue of such metropolitan city, nonentitlement unit of local government, or county due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year of the metropolitan city, nonentitlement unit of local government, or county prior to the emergency; or

“(D) to make necessary investments in water, sewer, or broadband infrastructure.

As with the CARES Act, additional guidance will likely be forthcoming and may change multiple times over the next few months and years as the pandemic evolves.

ANALYSIS:

The originally estimated amount of ARP funding the County was to receive totaled \$31,292,756, however the approved amount totals \$31,063,168. The decrease of \$229,588 from the originally estimated amount is detailed in the following table. The table also illustrates the proposed spending revisions per the categories outlined in the bill, with the exception of Constitutional Officer Expenses. As shown below, \$15,531,584 or 50% will be prioritized as Phase 1, with the remaining 50% reserved for Phase 2. Because Indian River County municipalities were awarded direct funding under the ARP, they have not been included in the proposal below. Items such as mortgage/rental assistance and the rapid credentialing program have unspent funding under the CARES Act and have therefore also not been included. Details regarding individual changes are itemized over the following pages.

Spending Plan					
Expense Category	Originally Est. Expenses	Proposed Revisions	Phase 1	Phase 2	Revised Total
Respond to the Public Health Emergency	\$7,355,750	\$1,560,000	\$4,967,172	\$3,948,578	\$8,915,750
Workers Performing Essential Work	\$1,022,006	\$750,000	\$1,400,000	\$372,006	\$1,772,006
Reduction in Revenues	\$6,000,000	(\$2,585,966)	\$3,414,034	\$0	\$3,414,034
Water/Sewer or Broadband Infrastructure	\$11,500,000	\$0	\$3,000,000	\$8,500,000	\$11,500,000
Constitutional Officer Expenses	\$5,415,000	\$46,378	\$2,750,378	\$2,711,000	\$5,461,378
Total	\$31,292,756	(\$229,588)	\$15,531,584	\$15,531,584	\$31,063,168

Respond to the Public Health Emergency

Staff is proposing an additional \$1,560,000 in funding be allocated to this category, bringing the revised total to \$8,915,750. As the bill states,

“(A) to respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;

Staff is proposing \$75,000 be allocated towards the COVID-19 Sick Pay benefit. This benefit is being extended to employees who were hired after August 1, 2020 and thus did not receive the initial 10 days of paid leave time under the Families First Coronavirus Relief Act (FFCRA).

A \$15,000 reduction is being proposed to the Munis Modules to Support Teleworking line item. After further review, staff has determined that the initially proposed Purchasing Card module, which was intended to automate the Purchasing Card function by eliminating the physical handling of receipts, will not be implemented.

In an effort to address the negative economic impacts COVID-19 has had on the lower-income population, as well as the Tourism Industry, staff has had discussions with Indian River State College (IRSC) regarding purchasing the Fellsmere Inn property to use as a satellite campus. Purchasing this property, which is located in a Qualified Census Tract (QCT), would provide an opportunity for the Fellsmere residents to have easier access to an educational facility. Plans for the campus include operating a bed & breakfast facility, ran by the students studying hospitality, to provide hands on experience in the hospitality sector. The campus would also provide additional classes outside of the hospitality industry to assist the community in learning English, certain trade skills, and other applicable areas of study that would most benefit the community. Although this project would be a great benefit for the community, the County’s ARP consultant, Witt O’Brien’s has cautioned staff that this project remains at a high-risk level for obtaining reimbursement from the Treasury. Witt O’Brien’s is concerned that there is not a substantial enough nexus to COVID-19 and that renting a facility would be a more conservative approach. Staff is presenting this option as a placeholder for the time being, until further guidance is released and staff is confident this project will be an ARP eligible expense.

Workers Performing Essential Work

An additional allocation of \$750,000 is being proposed for First Responders’ Worker’s Compensation expenses. With the recent rise in COVID-19 infections, these expenses have been increasing and therefore additional funding is required going forward.

Reduction in Revenues

On July 19, 2021, the Treasury issued updated American Rescue Plan guidance. General Revenues are the only eligible revenues to be included when computing revenue losses. General Revenues are based off of the Census Bureau’s concept of “General Revenue from Own Sources” in the Annual Survey of State and Local Government Finances and includes revenue from taxes, current charges and miscellaneous general revenue. It excludes refunds and other correcting transactions, proceeds from issuance of debt or the sale of investments, agency or private trust transactions, and revenue generated by utilities and insurance trusts. In addition, revenue losses must be calculated

on an entity-wide basis, versus selected impacted funds to allow for consistency in reporting amongst all ARP recipients.

A growth rate must be determined by comparing the average annual revenue growth over the three fiscal years prior to the COVID-19 public health emergency or default to the national average growth rate of 4.1%. Indian River County's growth rate was determined to be 6.74% once Federal grants, Utilities, Debt Service and Internal Service revenues were removed resulting in a total revenue loss of \$19,785,591, which would conservatively cover the \$6 million originally approved by the Board on April 13, 2021.

Per the updated guidance, revenue losses must be spent on government services. Government services can include, but are not limited to, maintenance of infrastructure or pay-go spending for building new infrastructure, including roads; modernization of cybersecurity, including hardware, software and protection of critical infrastructure; health services; environmental remediation; school or educational services; and the provision of police, fire and other public safety services. Paying interest or principal on outstanding debt, replenishing rainy day or other reserve funds, paying settlements or judgments, pension deposits or non-federal match funds for grants (excluding FEMA) are not considered provisions of a government service, since these uses of funds do not entail direct provision of services to citizens.

The County uses several forms of revenue to maintain, improve and construct roadways. Optional Sales Tax and Traffic Impact Fees are used for the capital improvements to roadways such as widening and adding turning lanes. These revenues cannot be used for general maintenance of roads, such as repaving and restriping, and thus Gas Tax revenues are used to fund these expenses. Unfortunately, Gas Tax revenues have steadily decreased over the past few years, and are projected to continue decreasing as vehicles become more fuel efficient and electric vehicle purchases increase. Resurfacing of the County's roadways has been limited due to the reduction of revenue. Additionally, materials for roadways are increasing at a record pace. The use of ARP monies to fund resurfacing and restriping projects would benefit the Gas Tax fund and provide the County the opportunity to fund additional projects, while accumulating the traditional Gas Tax revenues. If several large resurfacing projects were paid for by ARP funds, money would be available for the ongoing maintenance of other county roads. This would ultimately prolong the unavoidable move to begin funding roadway maintenance with Transportation Fund dollars, which are largely funded by transfers from the General and M.S.T.U. ad valorem taxing funds.

As mentioned above, the originally approved Revenue Loss category totaled \$6M. A reduction of \$2,585,966 is being proposed for this category, bringing the revised total to \$3,414,034. This reduction is necessary to support the potential Fellsmere Inn purchase, requested increase in Worker's Compensation expenses, and the \$229,588 reduction in funding from the original ARP award estimate. Staff recommends the allocation of \$3,414,034 for road resurfacing and restriping projects as detailed above.

Constitutional Officer Expenses

The Supervisor of Elections has requested an additional allocation of \$46,378, as stated in her Fiscal Year 2021/2022 budget request. This funding will be used to purchase additional vote by mail materials, staff to process these requests, an annual license for a new postage machine and extractor acquired as a result of COVID-19, as well as additional staff to monitor vote by mail

drop boxes. The Supervisor of Election's Office experienced a 90% increase in mail-in ballots processed due to COVID-19 in 2020 and expects this trend will continue.

RECOMMENDATION:

Staff recommends that the Board consider the proposed spending plan revisions (see attachment) as further detailed above totaling (\$229,588), consider any changes, and approve the attached plan (with any amendments as needed).

ATTACHMENTS:

ARP Proposed Spending Plan