



ARPA

Maximizing a Once in a Lifetime Opportunity

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While the funds provided by the American Rescue Plan Act (ARPA) present an unprecedented opportunity for towns across New York State, they also pose a significant challenge. Town supervisors across the state and the nation are feeling the pressure to determine how best to deploy their allocation. Each municipality must decide for themselves how to maximize the funding to deliver the greatest impact; identify and address the community's most pressing needs; deliver the largest benefit to those most impacted by COVID-19; and support the swiftest and most robust recovery from the pandemic.

Oh, is that all...

By now every community is well-acquainted with the approved uses of these funds, including recouping lost municipal revenue, rebuilding local economies, safeguarding public health & safety, and investing in water, wastewater, and broadband infrastructure. Many town supervisors will prioritize long-delayed investments in infrastructure in areas such as water, sewer, and broadband.¹ For communities that have grappled with barriers to economic development caused by aging and deteriorating infrastructure, addressing these infrastructure issues is an essential component of building a strong local economy. However, the social infrastructure should not be overlooked. Based on unique circumstances and needs, other communities may choose investments in housing stock, public health services, small business grants, or a myriad of other worthy catalysts of community health and economic growth.

Decisions made over the next year will determine which towns merely benefit from a brief stimulus and which communities capitalize on this unprecedented opportunity by implementing catalytic projects that spur lasting and inclusive economic growth –

potentially altering the trajectory of their community for decades to come. As observed by the Brookings Institution, “The stakes are high.... In 10 years, we may look back at this time and ask: Which places merely spent their money, and which places invested it?”²

So, no pressure...

Help is on the Way

While each municipality will arrive at a unique strategy for deploying their allocation in a way that is optimally suited to address their specific needs, the guiding principles for discovering the optimal solutions, and devising their implementation, are universally applicable. We suggest deploying the framework:

- Identify**
- Assess & Prioritize**
- Maximize**
- Comply**

SMALLER COMMUNITIES / SMALLER ALLOCATIONS

For many smaller Towns, the ARPA allocation will have one clear and unambiguous purpose: to stabilize operating budgets that were decimated in 2020 and 2021 as the pandemic hampered tax revenues while simultaneously increasing service costs. For towns that were forced to pare back services that were sorely need, these funds may be entirely committed to covering last year's shortfalls.

ARPA – Maximizing a Once in a Lifetime Opportunity

An Advisory Committee with Board and Department Head level participation will increase the efficiency and effectiveness of this process by serving as a general sounding board, assisting with outreach, setting goals, advancing needs assessment efforts, prioritizing projects, managing project implementation, and tracking results.

IDENTIFY

To leverage ARPA funds to deliver the greatest impact, town leadership must first have a clear understanding of community needs. This is NOT the time to reflexively reach for the proverbial wish-list that may be tucked away in the top right desk drawer. This unprecedented funding represents the municipal investment opportunity of a lifetime and warrants a deeper look to ensure that the funds are put to the best possible use, leverage other resources, and are maximized for the greatest impact.

Outreach

An efficient and effective outreach process is an invaluable tool to identify the optimal use of ARPA funds. To provide adequate scope and depth of information and insights, this outreach should be inclusive of a wide range of stakeholders representing a variety of perspectives. Those tapped should include residents, community and business leaders, property owners, neighborhood associations, department heads, staff members, officials, boards, and elected

representatives. To ensure that the assessment reveals the needs of the groups most impacted by COVID-19, care should be taken to include the voices of those who have historically been excluded from municipal decision making. In addition to gleaning information, this outreach will also lay the groundwork for partnerships and collaboration that will pay dividends during the implementation phase.

TOOLS FOR EFFECTIVE COMMUNITY ENGAGEMENT

While smaller communities with less significant allocations may only require a questionnaire and a single public meeting, communities with significant ARPA funding should expand their community engagement to include tools such as:

- Subject Matter Roundtables
- Town Hall Style Meetings
- Interviews
- Open Houses
- Website-Based Input
- Surveys

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Plan Review

A review of your Town's planning documents will help align the commitment of ARPA funds with the community's already identified short and long-term goals as well as initiatives already underway.

Department Needs Review

Given the rapid rate of change of the last two years, and the degree to which many decisions have been – out of necessity – reactionary rather than proactive, structured and strategic time meeting with department heads will be well spent. Discussions should include funding and project priorities, program stabilization needs, and opportunities for potential strategic shifts in direction.

ASSESS & PRIORITIZE

The findings that emerge from the “Identify” phase of this framework will form the foundation for the development of a Funding Needs Assessment. This working document should include a summary of identified needs, proposed plans, and community insights. It will then be the responsibility of the Advisory Committee to review the needs presented and research the projects proposed for assessment and prioritization.

The prioritization and vetting process conducted by the Advisory Committee should include active participation by top elected officials to streamline the process. Assessment and prioritization should use a pre-determined set of evaluation criteria. At a minimum, this criteria should include:

- ☑ Projected impact in addressing the community's most pressing needs and propelling a strong and equitable recovery from the pandemic – economically, operationally, and strategically.
- ☑ Equitable delivery to ensure that all residents benefit from your community's ARPA allocation, including those who have been hardest hit by the pandemic.
- ☑ Synch with town planning documents vision, and initiatives that are already underway.
- ☑ Funding eligibility under one of three designations: a pre-approved eligible use of ARPA Coronavirus State and Local Fiscal Recovery Funds; a presumed eligible use provided in a Qualified Census Tract; or the application of lost-revenue funds recovered.
- ☑ Long-term fundability of projects and the opportunity to leverage ARPA resources as part of Capital Improvement Plans or other long-term initiatives.

- ☑ Fiscal viability of project implementation based on conceptual level cost estimations.
- ☑ Opportunities to leverage ARPA funds to secure additional funding from State agencies that prioritize project readiness and investment from other sources.
- ☑ Internal administrative and staffing skills and capacity to implement a given project to Federal standards or manage the contractors or consultants required for project implementation.

This process should segue directly into the development of a strategic plan and implementation matrix that will evolve over time, and will act as a blueprint for action that defines the following for each fiscal commitment or project:

- ☑ Objectives and community benefits/impact summary.
- ☑ Benchmarks and success metrics.
- ☑ Timelines and milestones.
- ☑ Dedicated resources – both conceptual level cost estimates and staffing deployment.
- ☑ Funding sources, specifying the commitment of ARPA funds and any other grant sources or municipal investment.
- ☑ Stipulation of the eligible use of ARPA funds as a pre-approved use, a presumed eligible use, or an allocation of funds from the recovery of lost revenue.

MAXIMIZE

The most effective strategies for maximizing allocations will vary from town to town. There are some universally applicable tools to consider, including:

- 1. Partnerships** – Strategic partnerships can act as “force multipliers” to maximize the reach and efficacy of ARPA funds. Some communities may want to:
 - ☑ Consider partnering with community organizations and non-profits on needs identification and project implementation leveraging their organization reach to provide resources to those most in need and help you achieve an equitable distribution of benefits (i.e.: food; mental health programming; housing; workforce training; and small business assistance).
 - ☑ Continue to build partnerships with County, State, and Federal governments by melding local and regional priorities of targeted services.
 - ☑ Investigate partnering with a non-profit or community organization to jointly issue grants combining private and federal funding to support those hardest hit by the pandemic, including small businesses –

ARPA – Maximizing a Once in a Lifetime Opportunity

particularly those that have difficulty accessing regular credit markets.

Because speed is of the essence in deploying ARPA funds, it's important to weigh the upside of partnerships with the potential negative impact on swift action.

2. Leverage Funding – ARPA allocations deliver a prime opportunity to secure additional funds by developing a “funding quilt” that combines multiple funding sources. Infrastructure projects are one area in which this strategy is particularly effective. ARPA funds can be utilized for feasibility studies, formation of special taxation districts, and other qualifiers to establish shovel-readiness for your project – making it an enticing investment for other funding agencies. Stitching together funds from multiple sources is also a viable (and often necessary) strategy for housing, broadband, and business assistance projects.

3. But Wait, There's More... – While the ARPA's Coronavirus State and Local Fiscal Recovery Funds are undoubtedly an unprecedented fiscal boon for municipalities, this \$350 billion allocation is the proverbial tip of the \$1.9 trillion total American Rescue Plan Act funding. While addressing your municipality's allocation, consider tasking your Advisory Committee with identifying additional opportunities to utilize funding from the legislation, including funds earmarked for education and small businesses and continue to partner with agencies to meet local needs.

COMPLY

As is typically the case with Federal funding, the devil is in the details. This is amplified in the case of the ARPA State and Local Fiscal Recovery Funds, for which the regulations are still evolving, and for which reporting procedures are a work in progress. The U.S. Treasury has extended the deadline for submission of the first Project and Expenditure Reports based on feedback from grant recipients. Forthcoming updates that will provide additional detail and clarification about compliance, reporting, subrecipient monitoring, and single audit requirements are still eagerly anticipated, as is a guide to assist funding recipients in gathering and submitting the information through Treasury's Portal.

It is essential that each community stay abreast of the ongoing evolution of ARPA regulations and requirements.

How do you proceed when major components of compliance and reporting guidance are clear as mud and others are still under development? VERY cautiously.

The way forward is to carefully vet and then meticulously document both the eligibility of each funding commitment and every expenditure. Because the use of these grant funds is subject to single audit, it's important that your town's compliance procedures be as tight as possible and that the administration of funds be treated with the highest level of scrutiny.

Dot your I's and Cross your T's

Maintain compliance – **and peace of mind** – by establishing and executing a thorough ARPA compliance protocol. Because of the learning curve surrounding this funding, and the ongoing release of information, go beyond standard grant administration procedures. An internal tracking form for each funding commitment will help you record:

- Justification as eligible under ARPA regulations.
- Citation of the Treasury FAQ number, compliance reporting publication, or other source that verifies the eligibility of the expenditure.
- Documentation supporting determinations of costs.
- Preparation of account reporting system
- Development of annual expenditure report(s)
- Development of second tranche of funding
- Completion of ARPA Project Closeout

The image shows a 'SAMPLE ARPA INTERNAL TRACKING FORM' from the Lodge Group. The form is divided into several sections: 'PROJECT NAME', 'INTERNAL PROJECT #', 'ARPA ALLOCATION', 'TOTAL PROJECT COST', 'ELIGIBLE CODE #', 'ELIGIBLE CATEGORY', and 'ELIGIBLE SUBCATEGORY'. Below these are fields for 'PROJECT DESCRIPTION' and 'PROJECT JUSTIFICATION AS AN ELIGIBLE ARPA COMMITMENT OF FUNDS (CITE SPECIFIC SOURCES)'. The bottom section is titled 'PROJECT EXPENDITURES' and contains a table with columns for 'Date', 'Check #', 'Amount', and 'Description'. At the bottom of the form, there are fields for 'TOWN OFFICER' and 'PRINT NAME/TITLE'. A large 'SAMPLE FORM' watermark is overlaid on the document.

REMEMBER: Fund administration is an eligible expense covered by ARPA Coronavirus State and Local Fiscal Recovery Funds. This is neither the time nor the place to skimp.

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Is it worth the effort? Absolutely!

While it is a significant challenge to determine how best to maximize ARPA funding to deliver the greatest impact for your community – and an investment of time and resources to maintain compliance – it is also an unprecedented opportunity that was by no means guaranteed. Remember, there was a time in the not so distant past when it was far from certain whether municipalities, counties, and states would receive the funding to rebuild from the fiscal decimation that the pandemic brought for so many – or that municipalities would have any autonomy in determining the best use of these funds for our own communities. **The legislation has been passed, the funding has arrived, the choices are ours, and the time to act is now. ■**

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1. Kelly Humrichouser and Patrice Frey, *The American Rescue Plan can be a lifeline for business districts* (Washington, D.C.: Brookings Institution, 2021).
 2. Brad Whitehead and Joseph Parilla, *How should local leaders use their American Rescue Plan funding?* (Washington, D.C.: Brookings Institution, 2021)