



American Rescue Plan (ARP) Funds

January 25, 2022

What's it Called?

American
Rescue Plan

COVID-19
Economic
Relief Funds

CSLFRF
CLFRF

Coronavirus
State and Local
Relief Funds

COVID Fiscal
Recovery
Funds

Coronavirus
Relief Funds

ARP
ARPA

American
Relief Plan

ARP/CSLFRF FUNDS

**American Rescue Plan Act of 2021:
Coronavirus State & Local Fiscal
Recovery Funds**

a.k.a.

ARP Funds

ARP/CSLFRF FUNDING

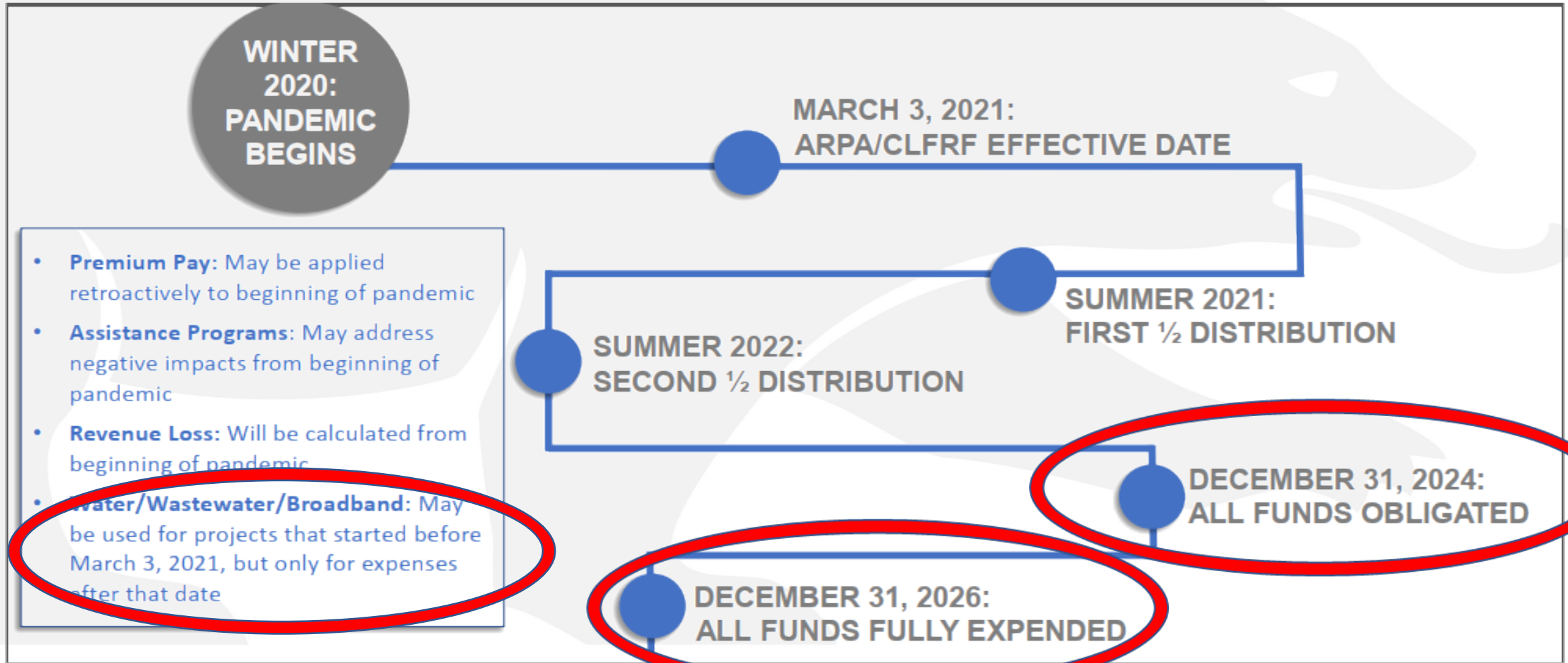
Funding

- \$65.1 Billion Total
- State of North Carolina \$1.37 Billion
- Craven County \$19,839,303
- **City of New Bern received \$6,704,351**

Payments

- First half received May 2021, second half expected May 2022

ARP/CSLFRF FUNDING



ARP/CSLFRF FUNDING

- Treasury issued Final Rule January 6, 2022
 - Broader set of uses to respond to the pandemic's public health and economic impacts
 - Replacement of Revenue Loss simplified - \$10M standard allowance
 - Greater flexibility in eligible broadband investments to address challenges with access, affordability, and reliability, as well as the addition of numerous eligible water and sewer infrastructure investments
 - Streamlined options for premium pay

ARP/CSLFRF FUNDING

Address COVID Public Health & Economic Impact

Support public health expenditures, by funding COVID-19 mitigation efforts

Address negative economic impact to workers, households, small businesses, and the public sector

Support disproportionately impacted communities

Replace Lost Revenue

Replace lost public sector revenue, using this funding to provide government services to the extent of the reduction in revenue experienced due to the pandemic

Premium Pay

Provide premium pay for essential workers, offering additional support to those who have borne and will bear the greatest health risks because of their service in critical infrastructure sectors

Infrastructure Investments

Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet

Address COVID Public Health & Economic Impact

- 1. What is the specific negative economic impact due to the pandemic?**
- 2. How does the project specifically address the negative economic impact?**



IS IT IN A QUALIFIED
CENSUS TRACT (QCT)
OR BENEFITING
INDIVIDUALS IN A QCT?



DOES IT ADDRESS A
DISPROPORTIONATELY
NEGATIVELY IMPACTED
GROUP, AREA,
OR HOUSEHOLD?



DOES IT ADDRESS A
NEGATIVE ECONOMIC
IMPACT ON THE LG?
(NOT LOST REVENUES)



DOES IT ADDRESS A
NEGATIVE ECONOMIC
IMPACT IN THE
COMMUNITY?

Address COVID Public Health & Economic Impact

May we
give ARP
funds to
Nonprofits?

No, but your local government may contract with nonprofits as subrecipients to spend ARP funds for an ARP-eligible purpose that the local government has statutory authority to undertake.

The contract and contracting process must comply with state law and the federal Uniform Guidance!

Sharing ARP Funds with Nonprofits & Other Private Entities

ARP allows transfers of funds to nonprofits and other private entities as subrecipients for ARP-authorized purposes



State law provides broad authority for a local government to **contract** with a private entity to perform specific activities that the **local government has statutory authority to undertake**



Recipient government must manage and monitor subrecipient to ensure compliance with law and regulations. Subrecipient must comply with all applicable requirements, reporting, and other documentation.

The City must:

- Develop written policies and procedures for subrecipient monitoring and risk assessment
- Maintain records of all award agreements identifying or otherwise documenting subrecipients' compliance obligations

Contract must clearly identify in writing:

- That award is subaward of ARP funds
- Specific purposes for which ARP funds will be spent
- Performance accounting and other process/ compliance/ reporting/documentation requirements (2CFR200.332)

The City must:

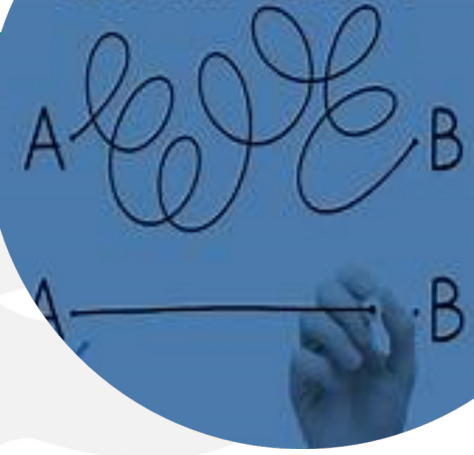
- Perform noncompliance risk assessment on subrecipient and tailor monitoring according to risk

Replace Lost Revenue

The Final Rule (issued 1/6/2022) now gives local governments the option to either:

- Use a default minimum lost revenue growth amount of **\$10 million (standard allowance)**; or
- Use the (slightly modified) lost revenue growth formula.

SIMPLIFY



Replace Lost Revenue

Standard Allowance

- No need for actual loss
- \$10 million total allowance
- Irrevocable choice
- Allowable expenditures on “General Government Services”
- Other Award Terms and Uniform Grant Guidance (UGG) still applies
- Most FLEXIBLE option
- Supplanting is actually allowed!
 - Relieves General Fund dollars to be used for projects that would not be allowed or may be considered a gray area

Replace Lost Revenue

US Treasury provides a non-exclusive list of examples of general government services –

- Maintenance or pay-go funded building of infrastructure, including roads
- Modernization of cybersecurity, including hardware and software, and protection of critical infrastructure
- Health services
- Environmental remediation
- Police, fire, and other public safety services

Replace Lost Revenue

ALLOWED

- Pay-go capital that benefits citizens
- Internal local government operations that impact ability to provide services
- Expenditures that are part of providing services – law enforcement, public health, social services, recreation, utilities, community development

NOT ALLOWED

- Pension fund contributions (extra)
- Borrowing money
- Financial reserves
- Settlement/judgement payments
- Undermines or discourages compliance with CDC
- Violates conflict of interest provisions
- Violates state law or federal laws and regulations, including UGG

Premium Pay – Employee Eligibility

“To provide premium pay to eligible workers performing essential work during the COVID-19 public health emergency....”

- Must adopt premium pay eligibility and implementation policy
- Manager or Board determines “essential workers” according to policy
 - Minimum criteria:
 - Performs regular, in person work during pandemic AND
 - Interacts with others at work or physically handles items handled by others
 - Based on job duties and unique and specific health or financial risks faced due to COVID-19
- Not all local government employees will qualify as essential workers

Premium Pay – Payment amounts

- Per person maximum: \$13 per hour, overall cap of \$25,000
- Must supplement, not supplant regular wages or compensation
- 150% rule
 - Extra justification requirements if premium pay increases an eligible employee's total wages and remuneration above 150% of the State's average annual wage for all occupations or for the county's average annual wage, whichever is higher.

Infrastructure Investments

Invest in water, sewer, and broadband infrastructure, making necessary investments to improve access to clean drinking water, support vital wastewater and stormwater infrastructure, and to expand access to broadband internet

DWSRF: Projects include treatment, transmission and distribution (including lead service line replacement), source rehabilitation and decontamination, storage, consolidation, and new systems development.

CWSRF: Projects include construction of publicly- owned treatment works, nonpoint source pollution management, national estuary program projects, decentralized wastewater treatment systems, stormwater systems, water conservation, efficiency, and reuse measures, watershed pilot projects, energy efficiency measures for publicly-owned treatment works, water reuse projects, security measures at publicly-owned treatment works, and technical assistance to ensure compliance with the Clean Water Act.

NCDEQ ARP Funding

- The North Carolina General Assembly appropriated \$1.69 billion from the state's allocation of the American Rescue Plan Act (ARPA) for drinking water, wastewater, and stormwater investments
- The North Carolina Department of Environmental Quality (NCDEQ) Division of Water Infrastructure (DWI) will administer approximately \$1.6 billion as grants for drinking water, wastewater, and stormwater systems in North Carolina in (5) categories:
 - Viable Utility Reserve (Distressed): \$456.4 million
 - State Reserve (at-risk): \$317.4 million
 - State Reserve (other): \$732.5 million
 - State Reserve (Studies): \$80 million
 - Local Assistance for SW Infrastructure: \$103 million

NCDEQ ARP Funding

NC DEQ Fund or Reserve	Purpose	Allocated directly for specific local governments and public entities (earmarked), approx.	Approximate remaining for grant funding (non-earmarked)
Viability Utility Reserve	Grants for water and wastewater systems that have been designated as distressed by the State Water Infrastructure Authority and the Local Government Commission, for the purposes set forth in subdivisions (1) through (5) of G.S. 159G-32(d).	\$89.7 million	\$353.0 million
Drinking Water Reserve and Wastewater Reserve (State Reserves)	Project construction grants for public water systems and wastewater systems NC DEQ categorizes as at-risk of becoming distressed .	\$116.6 million	\$191.3 million
	Project construction grants for public water systems and wastewater systems not designated as distressed or categorized as at-risk .	\$614.8 million	\$54.1 million
	Grants for asset inventory and assessments, rate studies, merger/regionalization feasibility, training, and planning grants to conduct project engineering, design, or other preconstruction activities.	\$0	\$77.6 million
Local Assistance for Stormwater Infrastructure Investments Fund	Grants for local governments for projects that will improve or create infrastructure for controlling stormwater quantity or quality.	\$18.5 million	\$82.0 million
Total		\$839.6 million	\$758.0 million
		Total funds: approx. \$1.6 billion	



\$15M max

\$400k max

\$TBD max

NCDEQ ARP Funding

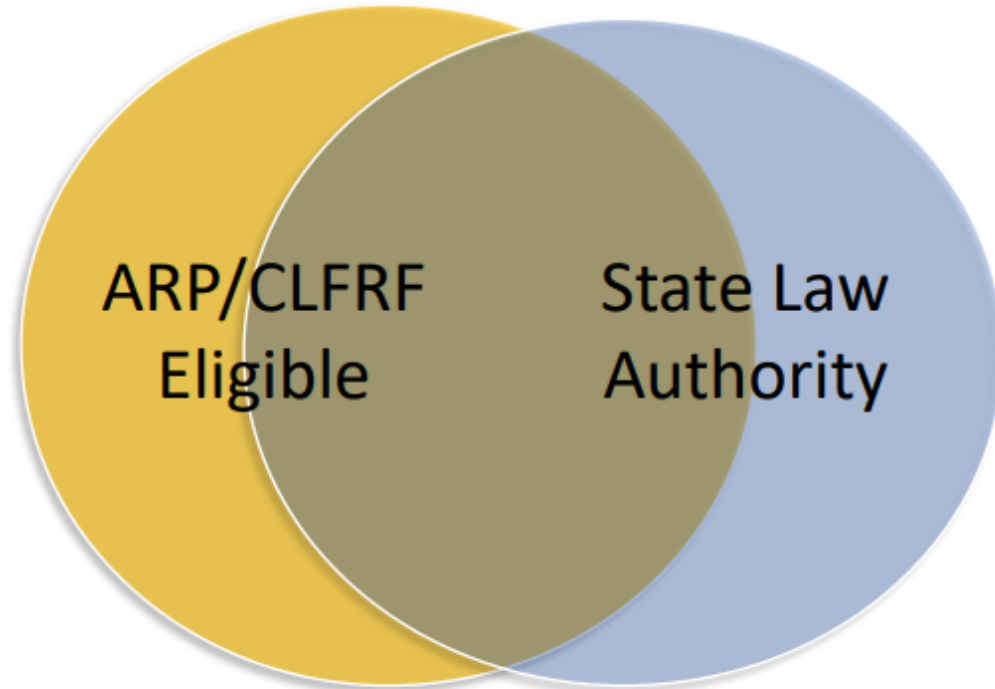
Application and Funding Timeline

- **February 2022:** NC DEQ finalizes and announces State Fiscal Recovery Fund Administration Plan, releases updated Spring 2022 funding application materials.
- **February-April 2022:** SWIA and LGC award Viable Utility Reserve funds for training and replacement of SRF loans for units designated as distressed.
- **May 2, 2022:** Application deadline for water and wastewater projects (1st round).
2nd round only if funding remains.
- **July 2022 and later:** SWIA (and LGC) award Spring 2022 ARPA grants.
- **January-July 2022:** SWIA reviews Priority Rating Systems ahead of the Fall 2022 funding round.
- **December 30, 2026:** All funds must be expended.

ARP/CLFRF are Public Funds!

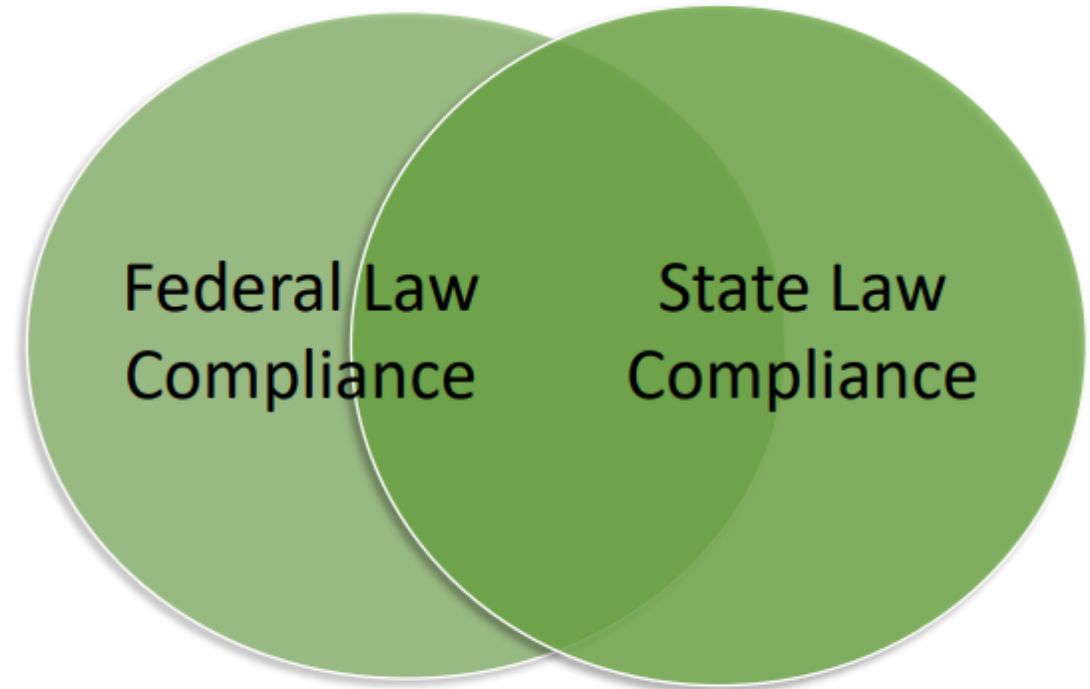
1

A project must be ARP-CLFRF eligible AND authorized by state law



2

A local government must follow BOTH federal and state compliance requirements



Uniform Grant Guidance Required Policies & Procedures

- Adopt grant project ordinance
- Set up accounting system to track obligations and expenditures for general government services projects

Adopt and implement the following required written policies and procedures:

General Financial Management & Internal Controls Policy (Internal Controls must meet federal [Green Book](#))

Eligible Projects (if you elected the standard allowance, this can be a basic policy establishing internal controls to ensure that funds are spent for general government services and not spent for the handful of prohibited purposes. To make it easier, you could simply establish these controls in the grant project ordinance.)

Cost Principles/Allowable Costs Policy (see sample [here](#))

Conflict of Interest Policy

Nondiscrimination Policy

Human Resources Policy

Records Retention Policy (Note that all documentation related to the ARP/CSLFRF must be retained for at least 5 years after the end of the award term.)

Adopt and implement the following written policies and procedures, if needed:

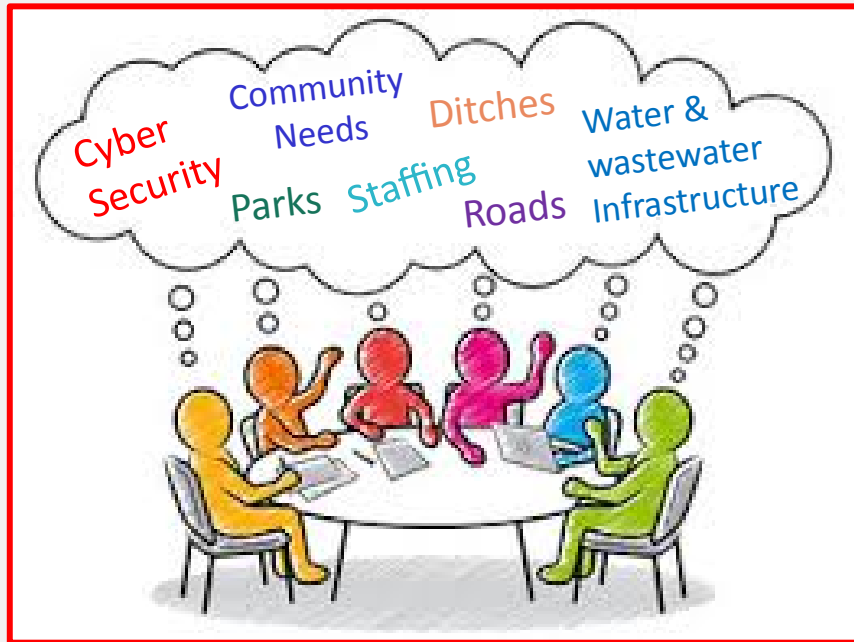
Procurement, Suspension, & Debarment Policy (If local government will enter any service, purchase, or construction contract with ARP/CSLFRF funds.)

Subaward Policy (If local government will partner with another government, nonprofit, or other private entity as part of an expenditure of the ARP/CSLFRF funds).

Program Income Policy (If local government will earn any income from ARP/CSLFRF-funded programs, such as loan programs and rentals of real or personal property.)

Property Management Policy (If expenditures will result in the acquisition of any real or personal (supplies & equipment) property.)

What's Next?



Teamwork Focus Vision Ideas
Brainstorming Goals

- Identify Needs, consider unfunded projects and punch lists
- Make the wish list
- Combine and Prioritize
- Evaluate
 - Reasonability
 - Allowability
 - Availability
 - Sustainability

Identify needs and consider unfunded projects:

Cyber Security Concerns:

- Significant cyber-attacks happen every 14 seconds. Ransomware is the most concerning
 - Ransomware is a type of malware that attempts to extort money from user or organization by infecting or taking control of the victim's computer, files, servers, etc.
- NC Public Sector Statistics
 - 44 significant cyber incidents in NC public sector the last two years.
 - Incident cost average \$700K – \$1 Million
 - Average recovery takes 6 to 9 months. Typically, 16.7 days to bring network back up in a limited capacity.

Identify needs and consider unfunded projects:

Recommended Cyber Security Solutions

- **Vulnerability Scanning software – \$48,000**
 - capability to identify systems flaws and properly resolve issue
- **Managed Detection and Response – \$190,000**
 - provides 24X7X365 monitoring and detection of all system activity. Once a detection is made steps are taken to block the event
- **SIEM Logging System \$195,000**
 - monitors and collects log information from city systems that is used in the event of an intrusion
- **Security Awareness Training \$30,000**
 - provides automated training and simulated attacks to help employees know how to react to cyber attacks

Identify needs and consider unfunded projects:

Electric System Capacity Improvements Project - \$10M

- Additional electric capacity to support current loads as well as rapid growth in the regional area; addresses electric grid upgrades and the SE Substation Project
 - Infrastructure
 - Distribution
 - Capacity
 - Resiliency

Identify needs and consider unfunded projects:

Public Works - Estimated Over \$2M for Drainage Deficiencies:

- Red Robin/Trent Road Ditch Embankment Stabilization and Driveway Culvert Upsizing **\$300,000**
- Racetrack Road Culvert Replacement **\$100,000**
- Bank Stabilization – Trent Rd **\$300,000**
- Norfolk Southern Culvert Replacement **\$400,000**
- East Rose Culvert Renewal **\$500,000**
- Drainage Study North Hills **\$45,160**
- Hancock Street Culvert Replacement **\$500,000**

Additional needs:

- Paving, sidewalks, stormwater

Identify needs and consider unfunded projects:

Water & Sewer Projects

- **Relocation of Water and Sewer Infrastructure for NCDOT - \$2,250,000**
 - Relocation of infrastructure for HWY 70 work
- **Township No. 7 Sewer Improvements & Relocation of New Bern Sewer Lift Station No. 10 - \$4,000,000**
 - Force main upgrades and pump station relocation
- **Northwest Sewer Interceptor Rehabilitation – Phase II - \$1,200,000**
 - Lining of major outfall that runs through flood prone areas
- **Water & Sewer Rehabilitation in the Greater Duffyfield & other areas - \$20 million+**
 - Replacement of outdated water and sewer infrastructure in older neighborhoods
 - Cost: \$200,000 - \$300,000 per block; \$20 million + in needs in the next 10-20 years
- **West New Bern Water System Improvements - \$3,500,000**
 - Water system improvements on west side of the water system
- **South-East Water System Improvements - \$750,000**
 - Water system improvements on the south-east side of the water system

QUESTIONS?

