

**MINUTES
King City Council
Called Workshop
March 21, 2022**

The King City Council met in a called session to conduct a workshop to discuss American Rescue Plan Funds and other budgetary items at King City Hall on Monday, March 21, 2022, at 9:30 am. Present were: Councilwoman Terri Fowler, Councilman Michael Lane, Councilwoman Jane Cole, Mayor Pro Tempore Rick McCraw, Mayor Jack Warren, City Manager Homer Dearmin, City Clerk Nicole Branshaw, City Engineer Scott Barrow, and Director of Finance & Personnel Susan O'Brien

Mayor Warren called the meeting to order.

Chaplain Rick Hughes offered the invocation.

Chaplain Rick Hughes left the meeting.

AMERICAN RESCUE PLAN FUNDS

The Overview of the Final Rule from the US Treasury concerning the election of a "standard allowance" was discussed.

MOTION

Councilman Lane made a motion to approve the election of the standard allowance and use ARP funds to supplant salaries in the FY 22-23 budget. Councilwoman Cole seconded the motion, which was carried by a unanimous vote of 4-0.

****SEE DOCUMENT #1****

AMERICAN RESCUE PLAN FUNDS

A discussion was held concerning an Eligible Use (Eligible Project) Policy mandated for all local governments receiving ARP/SLFRF. A sample draft was provided by the University of North Carolina School of Government (UNC SOG). The draft was then customized by the Director of Finance and Personnel and sent to the City Manager and City Attorney for review. The attorney has approved this draft policy.

MOTION

Councilman Lane made a motion to approve the Eligible Project Policy as presented. Councilwoman Fowler seconded the motion, which was carried by a unanimous vote of 4-0. ****SEE DOCUMENT #2****

CONSIDERATION OF BUDGET AMENDMENT 2021-03-10

Council approved Premium Pay for employees in December 2021. Budget Amendment 2021-03-10 allocates ARP Funding to be spent in FY 21-22 for Premium Pay.

MOTION

Mayor Pro Tempore Rick McCraw made a motion to approve Budget Amendment 2021-03-10. Councilwoman Cole seconded the motion, which was carried by a unanimous vote of 4-0. ****SEE DOCUMENT #3****

AMERICAN RESCUE PLAN FUNDS

A discussion was held concerning a list of project requests from Department Heads given to the City Council at a December 2021 workshop. If approved by the City Council, projects would be funded through the General Fund and Enterprise Fund available FY 22-23 budgeted amounts due to the use of ARP/SLFRF receipts for general government salaries.

Department Requests

<u>Department</u>	<u>Project</u>	<u>Cost</u>	<u>Include in Budget (Y/N)</u>
Senior Center	Outdoor concrete pad and portable shade structures	20,000	
Water Plant	Automatic hydrant flushers for dead end lines	33,000	
	Elevated tank mixers	30,000	
	Murals on water towers		
Police	New PD upfit	750,000	
	Police-radio replacement	26,395	
	Sally Port		
	Generator for new PD		
	Security fence for back of new PD		
	Body camera and in-car camera system upgrades and integrations		
Fire	25 SCBA regulators - PPE	38,780	
	25 masks for above - PPE	8,125	
	25 sets rescue gear - PPE	25,000	
	VIPER Radios 8 portable	53,600	
	VIPER Radios 4 mobile	28,000	
	Kitchen/training room upfit	154,081	
	Battery operated extrication equipment	49,000	
	4 PAFR hoods - PPE	4,000	
	Swift water rescue lower unit	7,832	
	Swift water rescue 40hp motor	6,825	
	HVAC for dormitory side	13,992	
	Water Heater	14,023	
Finance	FMS Analytics software to help automate budget process and produce ad-hoc reports and budget book	18,000	
	Single Audit cost	4,000	
	Barrier between windows at front counter in Collections		
<u>Department</u>	<u>Project</u>	<u>Cost</u>	<u>Include in Budget (Y/N)</u>
Administration	Upgrade recording software for City Clerk	5,000	
Parks & Recreation	Baseball/softball field lighting upfit	485,000	
	P&R - Mower and Bagger	18,073	
	Repave walking trail at Central Park - increased use due to pandemic and to make ADA compliant	50,000	
Streets	2 new mowers (est \$10,000 each in FY 21-22 budget request)	27,000	
	Dalton Road Project	18,000	
Council	Livestream meeting software	6,000	
CITY MANAGER'S RECOMMENDED PROJECTS FOR THE FY 22-23 BUDGET		1,843,731	
	Contingency	48,984	GF or EF?
	General Fund	1,747,731	
	Enterprise Fund	96,000	

MOTION

Councilwoman Fowler made a motion to approve an amended list of departmental project requests totaling \$823,559. Councilwoman Cole seconded the motion, which was carried by a unanimous vote of 4-0. ****SEE DOCUMENT #4****



Replacing Lost Public Sector Revenue

The Coronavirus State and Local Fiscal Recovery Funds provide needed fiscal relief for recipients that have experienced revenue loss due to the onset of the COVID-19 public health emergency. Specifically, SLFRF funding may be used to pay for “government services” in an amount equal to the revenue loss experienced by the recipient due to the COVID-19 public health emergency.

Government services generally include any service traditionally provided by a government, including construction of roads and other infrastructure, provision of public safety and other services, and health and educational services. Funds spent under government services are subject to streamlined reporting and compliance requirements.

In order to use funds under government services, recipients should first determine revenue loss. They may, then, spend up to that amount on general government services.

DETERMINING REVENUE LOSS

Recipients have two options for how to determine their amount of revenue loss. Recipients must choose one of the two options and cannot switch between these approaches after an election is made.

- 1. Recipients may elect a “standard allowance” of \$10 million to spend on government services through the period of performance.**

Under this option, which is newly offered in the final rule Treasury presumes that up to \$10 million in revenue has been lost due to the public health emergency and recipients are permitted to use that amount (not to exceed the award amount) to fund “government services.” The standard allowance provides an estimate of revenue loss that is based on an extensive analysis of average revenue loss across states and localities, and offers a simple, convenient way to determine revenue loss, particularly for SLFRF’s smallest recipients.

All recipients may elect to use this standard allowance instead of calculating lost revenue using the formula below, including those with total allocations of \$10 million or less. Electing the standard allowance does not increase or decrease a recipient’s total allocation.

- 2. Recipients may calculate their actual revenue loss according to the formula articulated in the final rule.**

Under this option, recipients calculate revenue loss at four distinct points in time, either at the end of each calendar year (e.g., December 31 for years 2020, 2021, 2022, and 2023) or the end of each fiscal year of the recipient. Under the flexibility provided in the final rule, recipients can choose whether to use calendar or fiscal year dates but must be consistent throughout the period of performance. Treasury has also provided several adjustments to the definition of general revenue in the final rule.

To calculate revenue loss at each of these dates, recipients must follow a four-step process:

Coronavirus State & Local Fiscal Recovery Funds: Overview of the Final Rule



SPENDING ON GOVERNMENT SERVICES

Recipients can use SLFRF funds on government services up to the revenue loss amount, whether that be the standard allowance amount or the amount calculated using the above approach. **Government services generally include *any service traditionally provided by a government***, unless Treasury has stated otherwise. Here are some common examples, although this list is not exhaustive:

- ✓ Construction of schools and hospitals
- ✓ Road building and maintenance, and other infrastructure
- ✓ Health services
- ✓ General government administration, staff, and administrative facilities
- ✓ Environmental remediation
- ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

Government services is the most flexible eligible use category under the SLFRF program, and funds are subject to streamlined reporting and compliance requirements. Recipients should be mindful that certain restrictions, which are detailed further in the Restrictions on Use section and apply to all uses of funds, apply to government services as well.

**ELIGIBLE PROJECT POLICY FOR THE EXPENDITURE OF AMERICAN RESCUE PLAN ACT OF 2021
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS BY CITY OF KING**

WHEREAS the City of King, has received an allocation of funds from the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF); and

WHEREAS US Treasury is responsible for implementing ARP/CSLFRF and has enacted a Final Rule outlining eligible projects; and

WHEREAS the funds may be used for projects within these categories, to the extent authorized by state law.

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to households, small businesses, non-profits, impacted industries, and the public sector;
3. 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;
4. 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; and,
5. 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; and

WHEREAS the ARP/CSLFRF are subject to the provisions of the federal Uniform Grant Guidance, 2 CFR Part 200 (UG), as provided in the Assistance Listing; and

WHEREAS US Treasury has issued a Compliance and Reporting Guidance v.2.1 (November 15, 2021) dictating implementation of the ARP/CSLFRF award terms and compliance requirements; and

WHEREAS the Compliance and Reporting Guidance states on page 6 that

Per 2 CFR Part 200.303, your organization must develop and implement effective internal controls to ensure that funding decisions under the SLFRF award constitute eligible uses of funds, and document determinations.

BE IT RESOLVED that the City of King hereby adopts and enacts the following Eligibility Determination Policy for ARP/CSLFRF funds.

Eligibility Determination Policy for American Rescue Plan Act of 2021 Coronavirus State and Local Fiscal Recovery Funds

This policy defines the permissible and prohibited uses of the Coronavirus State and Local Fiscal Recovery Funds of H.R. 1319 American Rescue Plan Act of 2021 (ARP/CSLFRF) funds. It also outlines the procedures for determining how the City of King will spend its ARP/CSLFRF funds.

I. PERMISSIBLE USES OF ARP/CSLFRF FUNDING

US Treasury issued its Final Rule regarding use of ARPA funds on January 6, 2022. (The Final Rule is effective as of April 1, 2022. Until that date, a local government may proceed under the regulation promulgated by US Department of the Treasury in its Interim Final Rule or the Final Rule.) The Final Rule (and the Interim Final Rule) identify permissible uses of ARP/CSLFRF funds and certain limitations and process requirements. Local governments must allocate ARP/CSLFRF funds no later than December 31, 2024 and disburse all funding no later than December 31, 2026. Failure of an entity to expend all funds by December 31, 2026 will result in forfeiture of ARPA funds.

ARP/CSLFRF funds may be used for projects within the following categories of expenditures:

1. Support COVID-19 public health expenditures, by funding COVID-19 mitigation and prevention efforts, medical expenses, behavioral healthcare, preventing and responding to violence, and certain public health and safety staff;
2. Address negative economic impacts caused by the public health emergency, including economic harms to workers, households, small businesses, non-profits, impacted industries, and the public sector;
3. 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;
4. 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; and
5. 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; and

II. PROHIBITED USES OF ARPA FUNDING

The ARP/CSLFRF and US Treasury's Final Rule prohibit certain uses of ARP/CSLFRF funds. Specifically, ARP/CSLFRF funds may not be used for projects within the following categories of expenditures:

1. To make a deposit into a pension fund that constitutes an extraordinary payment of an accrued, unfunded liability (Note that routine contributions as part of a payroll obligation for an eligible project are allowed.);
2. To borrow money or make debt service payments;

3. To replenish rainy day funds or fund other financial reserves;
4. To satisfy an obligation arising from a settlement agreement, judgment, consent decree, or judicially confirmed debt restricting in a judicial, administrative, or regulatory proceeding (There is an exception to this prohibition if the settlement or judgment requires the [Local Government Name] to provide services to respond to the COVID-19 public health emergency or its negative economic impacts or to provide government services, then the costs of those otherwise ARP/CSLFRF-eligible projects are allowed.);
5. For a project that includes a term or condition that undermines efforts to stop the spread of COVID-19 or discourages compliance with recommendations and guidelines in CDC guidance for stopping the spread of COVID-19;
6. In violation of the conflict-of-interest requirements imposed by the award terms and 2 CFR 200.318(c).
7. For any expenditure that would violate other applicable federal, state, and local laws and regulations.

The City of King, and any of its contractors or subrecipients, may not expend any ARP/CSLFRF funds for these purposes.

III. PROCEDURES FOR PROJECT APPROVAL

The following are procedures for ARP/CSLFRF project approvals. All City of King employees and officials must comply with these requirements.

1. Requests for ARP/CSLFRF funding, must be made in writing and include all the following: Project Request and Eligibility Determination Form which includes:
 - a. Brief description of the project
 - b. Identification of ARP/CSLFRF Expenditure Category (EC) (A list of ECs in in the Appendix to the US Treasury Compliance and Reporting Guidance.)
 - c. Required justifications for applicable projects, according to the requirements in the Final Rule. Employees or any applicant seeking ARPA funding should review the Final Rule and Final Rule Overview prior to submitting a proposal.
 - d. Proposed budget, broken down by cost item, in accordance with the [Local Government Name]'s Allowable Cost Policy.
 - e. A project implementation plan and estimated implementation timeline (All ARP/CSLFRF funds must be fully obligated by December 31, 2024, and fully expended by December 31, 2026.)
2. Requests for funding must be submitted to Susan O'Brien, Director of Finance and Personnel for approval. All requests will be reviewed by Homer Dearmin, City Manager and Scott Barrow, City Engineer for ARP/CSLFRF compliance and by Susan O'Brien, Director of Finance and Personnel for allowable costs and other financial review.
3. No ARP/CSLFRF may be obligated or expended before final written approval by Homer Dearmin, City Manager and Susan O'Brien, Director of Finance and Personnel. City Council approved a project list presented by the City Manager on March 7, 2022; no further board approval is required by this policy.

4. If a proposal does not meet the required criteria, it will be returned to the requesting party for revision and resubmittal.
5. Following approval, employees responsible for implementing the project must conform actual obligations and expenditures to the pre-approved project budget. Changes in project budgets must be approved by Homer Dearmin, City Manager, and Susan O'Brien, Director of Finance and Personnel and may require a budget amendment before proceeding. Any delay in the projected project completion date shall be communicated to Homer Dearmin, City Manager and Susan O'Brien, Director of Finance and Personnel immediately.
6. Susan O'Brien, Director of Finance and Personnel must collect and document required information for each EC, for purposes of completing the required Project and Expenditure reports.
7. Susan O'Brien, Director of Finance and Personnel must maintain written project requests and approvals, all supporting documentation, and financial information at least until December 31, 2031.

CITY OF KING
BUDGET AMENDMENT 2021-03.10

Be it hereby ordained by the City Council of the City of King that the following amendment be made to the Budget Ordinance adopted on the 7th day of June, 2021, as follows:

Section 1. To amend the General Fund, the expenditures are to be changed as follows:

<u>General Fund Expenditures</u>	<u>Decrease</u>	<u>Increase</u>	<u>New Approx</u>
Special Appropriations		216,337	419,79
Total	0	216,337	

This will result in an increase in the expenditures of the General Fund. The above changes in expenditures will require an adjustment to revenues as follows:

<u>General Fund Revenues</u>	<u>Decrease</u>	<u>Increase</u>	<u>New Approx</u>
GF Revenues		216,337	7,724,83.
Total	0	216,337	

Section 2. To amend the Enterprise Fund, the expenditures are to be changed as follows:

<u>Enterprise Fund Expenditures</u>	<u>Decrease</u>	<u>Increase</u>	<u>New Approx</u>
Special Appropriations		77,531	181,94:
Total	0	77,531	

This will result in an increase in the expenditures of the Enterprise Fund. The above changes in expenditures will require an adjustment to revenues as follows:

<u>Enterprise Fund Revenues</u>	<u>Decrease</u>	<u>Increase</u>	<u>New Approx</u>
EF Revenues		77,531	10,067,097
Total	0	77,531	

Section 3. Copies of the budget amendment shall be furnished by the City Clerk to the City Council to the Mayor, Budget Officer and Finance Director for their directions.

Adopted this the _____ day of _____, 2022.

Attest:

Homer Dearmin, City Manager

Susan O'Brien, Director of Finance and Personnel


Council Approved

<u>Department</u>	<u>Project</u>	<u>Cost</u>
Senior Center	Outdoor concrete pad and portable shade structures	20,000
Water Plant	Automatic hydrant flushers for dead end lines	33,000
	Elevated tank mixers	30,000
Police	Police-radio replacement	26,395
	AFIS	23,875
Fire	25 SCBA regulators - PPE	38,780
	25 masks for above - PPE	8,125
	25 sets rescue gear - PPE	25,000
	VIPER Radios 8 portable	53,600
	VIPER Radios 4 mobile	28,000
	Battery operated extrication equipment	49,000
	Swift water rescue lower unit	7,832
	Swift water rescue 40hp motor	6,825
	HVAC for dormitory side	13,992
	Water Heater	14,028
Finance	FMS Analytics software	18,000
	Single Audit cost	4,000
Administration	Upgrade recording software for City Clerk	5,000
Parks & Recreation	Baseball/softball field lighting upfit (waiting on PARTF)	296,107
	Rock dust and timbers on walking trail at Central Park	50,000
Gov Body	Codify Ordinances	13,000
Community Dev	Christmas lights	14,000
Streets	2 new mowers (est \$10,000 each in FY 21-22 budget request)	27,000
	Dalton Road Project	18,000
COUNCIL APPROVED PROJECTS FOR THE FY 22-23 BUDGET		823,559
Contingency		1,069,156

ADJOURNMENT

Councilwoman Fowler moved to adjourn the meeting. Councilman Lane seconded the motion, which carried by a unanimous vote of 4-0.

Approved by:



Jack Warren
Mayor

Attest:



Nicole Branshaw
City Clerk

