

09-29-2021 Town Council Meeting

Responses to Council Questions

ITEM #2: American Rescue Plan Update

Council Question:

What constitutes the lost Town revenue?

Staff Response:

Lost Town revenue is based on a specific formula laid out in the ARPA guidelines:

- *Step 1 – Identify revenues collected in the most recent fiscal year prior to pandemic (FY 2019 = Town’s base year revenue)*
 - *Look at entire organization*
 - *Remove debt proceeds, intergovernmental transfers from federal government*
- *Step 2 – Estimate counterfactual revenue = base year revenue * ((1+growth rate)^(n/12))*
 - *Growth rate is based on the larger of the average growth rate for the three prior years or 4.1%*
 - *n is the number of months that have elapsed since the end of the base year to the calculation date*
- *Step 3 – Identify actual revenues collected over last twelve months (2020 calendar year)*
- *Step 4 – Reduction in revenue = counterfactual revenue – actual revenue*

Using this formula, the Town experienced a \$4,175,298 decrease in revenues in calendar year 2020.

Council Question:

What are the kinds of local government programs and services that cannot be funded using ARPA funds?

Staff Response:

The Town cannot use ARPA funding on the following areas as spelled out in the Interim Final Rule, Federal statutes and State statutes:

- *To build the Town’s savings reserves*
- *To fund pension liabilities*
- *To offset a loss in tax revenues due to changes in federal or state regulations*

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- *As a direct payment to individuals*
- *To provide free public broadband*

Council Question:

In what ways can we use ARPA funds to help small businesses and workers?

Staff Response:

ARPA Funds provide resources to relieve the impact to workers, households, small businesses, and affected industries. Examples include:

- *Small business support in the form of loans, grants, in-kind assistance for operation continuity*
- *Implement COVID-19 mitigation measures to enable safe resumption of impacted industries such as tourism, travel, and hospitality services (ventilation improvements, physical barriers or partitions, signage to facilitate social distancing, PPE)*
- *Investing in the hardest hit populations where the pandemic exacerbated the socioeconomic disparities in housing, education, health & welfare, and jobs*
- *Eligible use must “respond to” the identified negative economic impact.*

However, State law does not allow governments to give money away. The Town must contract with a private entity (individual, small business, non-profit) to perform a specific activity that we have the statutory authority to perform.

Council Question:

Where exactly does the ban on ARPA funding allocations for access to broadband internet come from?

Staff Response:

North Carolina House Bill 129 from 2011 and NCGS 160A Article 16A state that municipalities cannot compete with commercial broadband providers. We can and do provide Wifi services at Town facilities or Town-owned land.

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Council Question:

P.39 of the packet indicates that the next conversation on this will be at the Nov. 17th Council meeting. Is it contemplated that Council would be making some decisions at that point? If so, what kinds of decisions?

Staff Response:

At the November 17 meeting, staff will be asking Council to approve the engagement plan, funding request approval process, and next steps.