

To: **Mayor and City Council**  
From: **Ryan Schroeder, City Manager**  
Date: **April 26, 2021**

## **Affirm Approach Regarding American Rescue Plan Act of 2021**

### **BACKGROUND INFORMATION:**

On April 12, 2021 this same agenda item appeared on the OCWS. Ultimately, no action was taken as a member had questions and it appeared that those questions might not be sufficiently addressed in the time allocated to the matter. Asked was if there were not additional funding sources available, now or in the future that would provide funding toward proposed infrastructure (sewer lift stations, force mains and pipe lining) which would then allow ARPA funds to be allocated elsewhere. As noted that evening, pipe lining would not be considered a good candidate for a future Federal Infrastructure bill. Since April 12 it has been learned that State capital investment toward West St. Paul lift stations is unlikely to occur until at least 2022 if at all. Federal funding, likewise, typically (but not always) accrues to higher profile projects and therefore also cannot be counted on.

It was also suggested that we have until the end of 2024 to spend down these funds. While this is accurate we are scheduled to complete lift station/forcemain projects during 2022 and absent ARPA or similar funds in hand at that time West St. Paul will be relegated to issuing debt to complete these projects.

The \$2.27 million allocation is not sufficient to complete the projects within the proposed resolution. The proposed policy resolution is crafted such that if funding for some portion of these projects is acquired from a third party source then the City can pivot to that portion of the projects which are still in need of funding. As noted below the City has about \$5.5 million in sewer infrastructure needs which means best case ARPA funds provide about 40% of the funding required for our critical infrastructure needs. However, we are requesting Council affirmation of the policy at this time so that Engineering and Finance can both proceed toward 2022 projects (which need to be planned now) with an understanding of available funding.

ARPA should be considered as one time funding allowing the City to continue its financial progress of the past three years. In accordance with several Council policies this path of progress provides for significant benefits accruing to all residents, property owners, and businesses within the community. These benefits are not just a “one shot” but in this case, would result in lower sanitary sewer bills going forward than would otherwise be the case.

The balance of this memo is as appeared on the April 12 agenda except that we have placed the recommended resolution on the regular agenda for consideration.

On March 11, 2021, the Federal American Rescue Plan Act of 2021 was signed into law. This \$1.9 trillion stimulus is intended to assist in returning to normalcy as the country, hopefully, recovers from the COVID-19 pandemic. Included in the Plan is a transfer of funds to local governments. Under the Plan, these funds can be used for the following purposes:

1. To respond to the coronavirus health impacts or economic impacts including assistance to households, small businesses, nonprofits, and impacted industries including hospitality, travel, and tourism.
2. By providing premium pay for essential workers up to \$13 an hour with an annual cap of \$25,000.
3. To cover for lost revenue in providing services (Revenue Replacement covers the period from 3/3/21 through 12/31/24 with the calculation of lost revenue based on our 2019 fiscal year. So, at present, we cannot offset losses at the Arena, Dome, Recreation programming, or other city functions for 2020).
4. To make investments in water, sewer or broadband infrastructure.

It appears the direct allocation to West St. Paul will be \$2.27 million. These funds are anticipated to be received on May 10, 2021 (first half) and May 10, 2022 (second half). These funds must be spent by December 31, 2024. Formal guidance on the City’s expected distribution of American Rescue Plan funds is still forthcoming. However, in preparation for this funding, we believe it is most appropriate to allocate funds to the highest priority project category currently within our planning documents, which is investments in sanitary sewer (#4 above).

As Council is aware, we are upgrading Lift Station 1 (LS1), Lift Station 2 (LS2), and Force Main 2 (FM2) in 2021. Council awarded the construction bid to Minger Construction Company in the amount of \$3,898,014.90 and also issued debt in the amount of \$2,275,000 to pay contract costs on January 25, 2021. Council approved a contract with the Public Facilities Authority on March 8, 2021 to access \$2.2 million in State Bond funds to provide the balance of construction costs.

With the 2021 project proceeding, the City has been working toward a 2022 project to complete the rehabilitation of our sanitary sewer lift station infrastructure. This project lays out as follows:

<u>2022 Project</u>		<u>Construction Estimate</u>
LS 4	3/22/21 B&M Design \$59,000	\$1,100,000
FM 3	3/8/21 SEH Design \$22,000	\$ 475,000
FM 4	9/10/18 TKDA Design \$89,900	\$ 950,000 Design Complete
FM 6	3/22/21 B&M Design \$67,000	\$ 475,000
	Subtotal	\$3,000,000
	Design:	<u>\$ 237,900</u>
	Total 2022	\$3,237,900

The City is currently seeking State Bond funds for the 2022 project (Councilmember Eng-Sarne recently testified on the Bill at the request of Representative Hansen). However, even with receipt of a State allocation, there will be local costs to complete the project. Absent a state allocation or assignment of Rescue Plan, funds the City would need to issue debt to accomplish the above projects.

As identified at the March 6 Council Strategic Planning meeting, the City also has about \$2.3 million in pipe lining yet to accomplish. The goal was established at this meeting and verified at the March 22,

2021 Council meeting (with adoption of a financial policies amendment) to accomplish this lining within the next ten years. Doing so will reduce costs to operate the sewer system from what would otherwise occur, by reducing I&I into the trunk system which then flows to the Treatment Plant (resulting in a bill to treat surface water). To the extent that American Rescue Plan funds are available, beyond what might be required to accomplish the above, we would propose funding be allocated toward pipe lining to occur within the spending deadline (12/31/2024). Salient pipe lining/I&I facts are:

1. I&I program started in 2008.
2. In an average year, we line 2,500 to 3,500 of publicly owned trunk sewers at \$100K to \$150K/year.
3. Currently have identified 55,979 lineal feet of lining yet to accomplish.
4. At current pricing of \$41/lineal foot, this equates to \$2.3M backlog.

While the City could also allocate funds in additional directions, reporting on the American Rescue Plan funding would appear to include alternative allocations (outside of what West St. Paul is receiving directly) to eligible spending in category “1” above, and we do not anticipate spending in categories “2” or “3” to be as significant as our needs in category “4.” Further, upon completion of our critical sanitary sewer infrastructure repairs, our ratepayers, which are every owner/occupant of every parcel in the community connected to the system, will realize a financial benefit.

This item is on the Council OCWS agenda to verify agreement with the above.

**FISCAL IMPACT:**

		<b>Amount</b>
<b>Fund:</b>		
<b>Department:</b>		
<b>Account:</b>		

**STAFF RECOMMENDATION:**

By consensus, concur with Staff recommendation and approve the policy resolution on the Council agenda.