Village of Cambridge
AUDIT & FINANCE COMMITTEE AGENDA
Tuesday, August 24, 2021
5:30 p.m.
Amundson Community Center, Community Room
200 Spring Street

PER THE CDC, DANE COUNTY HAS BEEN CONSIDERED SUBSTANTIAL OR HIGH-RISK TRANSMISSION AREA FOR THE DELTA VARIANT OF COVID. THIS IS AN IN-PERSON MEETING: HOWEVER, TO MAXIMIZE PROTECTION WE RECOMMEND WEARING OF MASKS INDOORS IN PUBLIC SPACES. THE MEETING ROOM WILL BE SET UP FOR SOCIAL DISTANCING. THANK YOU!

1. **Call to order/Roll Call**
2. **Proof of Posting**
3. **Public Appearances/Citizen Input**
4. **New Business**
   a. American Rescue Plan Act (ARPA) Funds
   b. Cambridge-Deerfield Players request for American Rescue Plan Act (ARPA) Funds
   c. 2020 Audit Report Review
5. **Update/Other Items for Future Consideration**
   a. Budget
   b. ARPA Funds
6. **Adjournment**

Lisa Moen, Village Administrator/Clerk/Deputy Treasurer

a. Persons needing special accommodations should call 423-3712 at least 24 hours prior to the meeting.
b. A quorum of the Village Board will attend this meeting for the purpose of gathering information relevant to their responsibilities as Village Trustees. Recommendation by the committee will be made to be acted upon by the Village Board at a regular meeting.
c. More specific information about agenda items may be obtained by calling 423-3712.

The American Rescue Plan Act: Pitfalls and Best Practices

Brad Elmer, Managing Director, Baker Tilly Municipal Advisors

The American Rescue Plan Act of 2021 (ARPA) will deliver $350 billion for eligible state, local, territorial, and tribal governments to respond to the COVID-19 emergency. For Wisconsin municipalities, this represents an amazing opportunity to aid the recovery from COVID-19 and to make a lasting impact. This article examines best practices and potential pitfalls associated with receiving, spending, and tracking the American Rescue Plan funding.

By now you likely know that the ARPA's Fiscal Recovery Funds (FRF) can be used to support public health expenditures, address negative economic impacts caused by COVID-19, replace revenue, provide premium pay for essential workers, and/or invest in water, sewer, and broadband infrastructure. These eligible uses offer great flexibility for communities who will face tough choices about how to use the funding. As your community creates an ARPA strategy keep the following pitfalls and best practices in mind.

Pitfall: Levy Limits

A potential pitfall that Wisconsin municipalities face as they consider the use of their FRF funds relates to the state of Wisconsin's municipal levy limits. In Wisconsin, municipalities are subject to a state law that limits increases to their levy to the percentage of net new construction in the preceding year. The starting point for the levy limit calculation is the prior year's actual property tax levy. If a municipality were to use its FRF funding on expenses that they would typically fund with their property tax levy, it could result in a reduced property tax levy. The reduced levy would then be the starting point in the subsequent year for the municipality's levy limit calculation. The effect would be a permanently reduced levy limit that could impact the municipality's ability to maintain the level of service in the community.

Best Practice: How to avoid the levy limit pitfall:

- Keep FRF funds outside of your community's general fund
- Amend your budget to create a separate FRF grant fund (special revenue fund) outside of the general fund
- Do not expend the funds on expenditures that would typically be funded through the tax levy

Pitfall: Expenditure Restraint

The receipt and expenditure of FRF funds has the potential to impact municipalities that are eligible to file for the state of Wisconsin's Expenditure Restraint Program (ERP). This program requires municipalities to restrict the percentage increase of their general fund's budgeted expenditures year to year. FRF funding, if it were received and expended through a municipality's general fund, would represent an expenditure increase that could jeopardize this portion of state aid.

Best Practice: How to avoid the expenditure restraint pitfall:

- Amend your budget to create a separate FRF grant fund (special revenue fund) outside of the general fund
- Set up accounts and track spending outside of the general fund

Pitfall: Duplicated Efforts

With ARPA funding going to cities, towns, villages, tribes, territories, counties, and states with the same eligible uses, the potential exists for duplicated efforts. A lesson learned from the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding, highlights the importance of regional collaboration. In some communities that received CARES Act funding, overlapping programs attempting to serve the same need were created and led to confusion, underuse of funding, increased administrative burden, and lost opportunity.

Best Practice: Embrace collaboration

- Reach out to surrounding communities to discuss how they intend to use FRF funding
- Connect with your regional economic development organization
- Communicate your community's ARPA objectives
- Coordinate with your county's officials
- Where there are shared goals, consider collaborative efforts

Pitfall: Failure to Report

At a minimum, municipalities will be required to provide annual reports to the Department of Treasury on their use of funds. While detailed guidance on the form of reports is pending, we know that inadequate reporting could jeopardize future FRF funding. Municipalities should set up systems to facilitate reporting from the outset.

Best Practice: Prepare for reporting

- Develop an initial spending plan/budget based on local needs and eligible uses
- A process should be established to evaluate each cost for eligibility, including the documentation of review procedures and account coding.
- Costs should be tracked so your community knows how much it has spent on each use and how much funding remains.
- Establish a process to ensure compliance with procurement policies.
- If funding is being provided to other entities, sub-recipient monitoring activities should be evaluated. Ensure proper controls and monitoring activities are performed.

Pitfall: Rush To Judgment

When there is a new grant opportunity or funding resource for municipalities that is widely publicized, there are numerous stakeholders with ideas about how the funding should be used. There can also be pressure to use the money quickly. In the frenzy, some communities have made hasty decisions that are suboptimal or that they later regret.

Best Practice: Consider the extended timeline; take the time to be inclusive and strategic

- Municipalities with populations greater than 50,000 receive funding directly from the federal government. They received 50% of their funding in May and will receive the second 50% in approximately 1 year.
- Municipalities with populations less than 50,000 receive funding through the state of Wisconsin Department of Revenue. They will receive 50% of their funding in June and will receive the second 50% approximately 1 year later.
- Eligible costs must be incurred after March 3, 2021.
- Funds must be expended or committed by December 31, 2024.
- Recipients have until December 31, 2026, to complete projects using FRF funds.

Pitfall: Letting Money Sit Idle

Municipalities could be holding portions of their ARPA funding for up to five-and-a-half years. Depending on how and when the money will be spent, leaving the money uninvested could be a lost opportunity.

Best Practice: Create an investment plan

- Municipalities should work with a qualified investment advisor to create an investment plan.
- Pending further guidance, deposits and investments must follow the restrictions of the Wisconsin state statutes.
- Consider need for liquidity.
- Track interest earnings and assume that they will need to be spent on FRF eligible costs until guidance is clarified.

Pitfall: Missing the Big Financial Picture

Municipalities have options when determining how to pay for new programs, operational expenses, or capital improvements. In the absence of a financial plan, communities risk expending the money in a way that is less than optimal.

Best Practice: Develop a comprehensive, long-range financial plan

- Municipalities should work with a registered municipal advisor to develop a financial plan that incorporates multi-year capital plans and financing options along with projected operational changes.
- If new programs are created, thought should be given to ongoing operational costs associated with maintaining and continuing the programs.
- Balancing community priorities and evaluating the alternative financing is an important process for communities and utilities to engage in as they evaluate the use of FRF funds.
- For municipalities there are a variety of complex financing options to consider, including revenue bonds/notes, general obligation bonds/notes, state trust fund loans, and state and federal monies.
- The evaluation of financing options should take into account, among other factors: legal authority, eligible uses, total cost of capital (fees and interest rate), level of complexity relative to capacity of the organization (suitability), timing, and flexibility of terms.

An independent registered municipal advisor can help you create a financing plan best suited to your organization's goals and help determine the best way to incorporate FRF funds.

Pitfall: Missing Other ARP Funding

While we have highlighted the American Rescue Plan's Fiscal Recovery Funds in this article, the Act is full of other competitive and noncompetitive funding sources that may be available directly to your municipality or other businesses/ organizations in your community.

Best practice: Review competitive funding sources that are included in the ARPA. Reach out to specialists for assistance reviewing potential funding opportunities.

- The following highlights some of the key allocations that may be available to your municipality or for the betterment of your community.

Fiscal Recovery Funds

$350 billion
of non-competitive funding for states, counties, cities, Tribes and territories.

Of this funding:

$195.3 billion
to states and Washington, D.C.

$130.2 billion
to local governments

$20 billion
to Tribal governments

Other provisions

Other provisions of the bill include:

Recovery $10 billion Coronavirus Capital Projects Fund	**Schools** nearly $170 billion	**Housing** $25 billion in emergency rental assistance
Small business $22 billion in EIDL and PPP	**Transportation and infrastructure** $58.2 billion	**Energy and water** $4.5 billion in household assistance
Restaurants and bars $25 billion	**Emergency Connectivity Fund** $7.6 billion for internet access for distance learning	**Public health** $72 billion for COVID-19 testing, contact tracing and vaccine distribution

The American Rescue Plan offers Wisconsin municipalities a historic opportunity to rebuild and recover following the COVID-19 pandemic. A consideration of the pitfalls and best practices will help ensure that Wisconsin municipalities make the most of these funds and build a bright future for our communities.

For additional information, please visit Baker Tilly's American Rescue Plan Resource Center https://www.bakertilly.com/insights/american-rescue-plan-resources-for-public-sector

- ARPA readiness checklist
- EDA grant readiness checklist
- Video updates
- Webinar recordings
- Articles

About the Author:

Brad Elmer is a Managing Director with Baker Tilly Municipal Advisors where he provides financial advice to Wisconsin municipalities on the issuance of bonds and other financing mechanisms. Brad has assisted with the issuance of over $5 billion of municipal revenue, general obligation, and appropriation debt. He has also managed $1 billion of commercial paper and a $200 million derivative portfolio. Brad also supports municipal clients with his special expertise in real estate, economic development, and urban redevelopment initiatives. He has an in-depth understanding of real estate development and the public and private financial tools available to finance it. He uses this knowledge to reduce the financial burden on municipalities and to help communities achieve their goals for investment. Brad is a CFA charter holder, earned an MBA in finance and real estate from UW-Madison, and is MSRB Municipal Advisor Series 50 Qualified. He brings 20 years of public finance experience to Baker Tilly's Municipal Advisory practice. Contact Brad at brad.elmer@bakertilly.com

Bonus Article!

Making the Most of ARPA

Sharon Eveland, City Administrator, Clintonville

Learn more about Clintonville's plans for the ARPA funds in this bonus article: https://lwm-info.org/828/The-Municipality-Magazine

Funding Sewer and Water Projects with ARPA $

Ryan T. Amtmann, P.E., Vice President, Ruekert & Mielke, Inc.

The U.S. Department of the Treasury's Interim Final Rule offers an expanded interpretation regarding the types of sewer, water, and broadband infrastructure projects that qualify for funding under ARPA, "allowing for a **broad range of necessary investments in projects that improve access to clean drinking water, improve wastewater and stormwater infrastructure systems**, and provide access to high-quality broadband service" (Treasury.gov).

ARPA Interim Final Rule: Highlights on Use of Funds for Sewer & Water Infrastructure Projects

- Because municipalities have a broad range of water and sewer infrastructure needs, the **Interim Final Rule provides wide latitude to identify investments in water and sewer infrastructure that are of the highest priority for your community**, which may include projects on privately-owned infrastructure.
- Funds must be obligated by December 31, 2024, but recipients have until December 31, 2026, to complete projects using ARPA's Local Fiscal Recovery (LFR) funds.

Eligible Projects

The Interim Final Rule aligns eligible uses of the LFR funds with the types of projects that are eligible to receive financial assistance through the EPA's Clean Water State Revolving Fund (CWSRF) or Drinking Water State Revolving Fund (DWSRF). However, use of LFR funds are not limited to such projects. The Treasury specifies, "The Interim Final Rule is intended to preserve flexibility for award recipients to direct funding to their own particular needs and priorities and would not preclude recipients from applying their own additional project eligibility criteria."

Projects may include, but are not limited to:

- Water treatment, transmission, and distribution (including lead service line replacement)
- Source rehabilitation and decontamination
- Water storage
- Water system consolidation
- New systems development
- 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

15 Water and Sewer Related Infrastructure Improvement Projects

It's unsurprising that many Wisconsin municipalities have expressed an interest in using LFR Funds for water and sewer related projects, as such infrastructure investments can improve a community's overall quality of life for decades to come.

To help your community weigh its options, our experts developed a list of **15 water and sewer related infrastructure improvement projects** that may be eligible for ARPA relief funding.

1. Accelerate Your Municipal Lead Service Line (LSL) Replacement Program

- Provides a community-wide benefit
- May be able to make road repairs directly related to LSL replacements

"Recipients may use Fiscal Recovery Funds to invest in a broad range of projects that improve drinking water infrastructure, such as building or upgrading facilities and transmission, distribution, and storage systems, including replacement of lead service lines. Given the lifelong impacts of lead exposure for children, and the widespread nature of lead service lines, Treasury encourages recipients to consider projects to replace lead service lines." – Interim Final Rule, U.S. Department of the Treasury

2. Repair and/or Replace Aging Sewer Main

- Especially beneficial in aging/economically depressed neighborhoods
- Associated road repairs may also be eligible for funding

3. Loop Water Main

- Create system redundancy
- Enhance hydraulics and fire flows

4. Identify and Mitigate Sanitary Sewer Infiltration and Inflow

- Manhole inspections: look for drainage issues, leaky covers, and joint leaks
- Smoke testing
- Dye testing
- Pipe inspections

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- Replace manhole covers
- Line manholes

5. Implement and/or Accelerate a Sewer Televising and Cleaning Program

- Quick detection and repair of minor conditions prevents small problems from becoming major, costly problems
- Regular mainline maintenance helps mitigate infiltration, which in turn relieves unnecessary strain on the treatment plant and prevents spikes in flow
- Close observation allows for more accurate planning and budgeting for mainline repairs and replacements

6. Invest In Sewer Flow Metering Equipment

- Examine current sewer capacity
- Improve ability for future community expansion and economic development
- Identify problem sewers

7. Complete Sewer and Water System Field Survey Inventories

- Accurately locate position of your assets
- Internal manhole inspections and lidar scans

8. Perform Pump Station Condition Assessments/Upgrades

- Lidar scanning cameras allow for quick, high-definition assessments
- Upgrade pumps and controls
- Add standby generator

9. Fund Energy Efficient Waste Water Treatment Facility (WWTF) Upgrades

- Consider the long-term benefits of solar installation
- Cover capital costs related to energy efficient improvements

10. Prepare Water System for Economic Development

- Will you need sewer and water extensions for new subdivisions and/or business parks?
- Will you need additional structures to accommodate growth?

11. Fund Projects that Would Otherwise be Financed by Loans With Interest

- e.g., safe drinking or clean water fund loans

12. Complete Proactive General Utility Repairs and/or Replacements

- Hydrants
- Valves and valve boxes
- Manholes

13. Fund Water Tower Improvement Projects

- Repaint water towers that are currently painted with lead-based paint

14. Implement Suggestions From Your Completed Risk & Resilience Assessment

- Protect your water system from unpredictable threats and failure
- Comply with America's Water Infrastructure Act

15. Fund Total Maximum Daily Load Compliance Projects

- IDDE programs (Illicit Discharge Detection and Elimination)
- Identify and remedy illicit sanitary sewer connections to storm sewers
- Erosion control programs

"Treasury encourages recipients to consider green infrastructure investments and projects to improve resilience to the effects of climate change. For example, more frequent and extreme precipitation events combined with construction and development trends have led to increased instances of stormwater runoff, water pollution, and flooding. Green infrastructure projects that support stormwater system resiliency could include rain gardens that provide water storage and filtration benefits, and green streets, where vegetation, soil, and engineered systems are combined to direct and filter rainwater from impervious surfaces." – Interim Final Rule, U.S. Department of the Treasury

Learn More

We understand that your water/sewer infrastructure needs are as unique as the needs of your residents, and there is no one-size-fits-all solution for how to best allocate this new funding. Reach out to community stakeholders and ask as many questions as you can. What projects can assist your municipality in reaching its long-term goals more quickly? Where will your relief funds have the greatest impact? How can you use this money to help ready your community for the anticipated 2021 infrastructure bill? What projects will help your community expand and promote economic growth? How can you make your infrastructure more resilient?

We can help you answer these questions and help you explore what water and/or sewer projects will make a long-lasting impact in your community.

About the Author:

Ryan joined Ruekert & Mielke, Inc. (R/M) in 2007. He has worked as a Project Manager and Project Engineer on municipal projects, including wastewater collection and conveyance system design, stormwater management and facility design, water main design, site development, development review, and general municipal consultation and planning. Contact Ryan Amtmann, P.E. at ramtmann@ruekert-mielke.com or 262-953-3002.

For the full list of 25 project ideas, read the complete article: https://www.ruekertmielke.com/lwm-arpa

American Rescue Plan Spending: Recommended Guiding Principles

Signed into law on March 11, 2021, **The American Rescue Plan Act of 2021** ("ARPA") provides $350 billion in additional funding for state and local governments. **Please click here for GFOA's analysis of ARPA**. The state funding portion is approximately $195 billion with $25.5 billion distributed equally among the 50 states and the District of Columbia and the remaining amount distributed according to a formula based on unemployment.

The local funding portion is approximately $130 billion, equally divided between cities and counties. Localities will receive the funds in two tranches—the first after the U.S. Treasury certifies the proceeds to each jurisdiction and the second one year later.

For cities, $65 billion is divided between jurisdictions that are Community Development Block Grant (CDBG) entitlement jurisdictions and those that are not. $45.5 billion of the $65 billion will be allocated to metropolitan cities utilizing a modified CDBG formula, and the remaining amount for jurisdictions that are non-entitlement CDBG, will be allocated according to population. For the non-entitlement jurisdictions, the amount will not exceed seventy- five percent of their most recent budget as of January 27, 2020. Additionally, non-entitlement jurisdictions proceeds will be allocated through the state for redistribution to local governments.

For counties, the $65 billion will be allocated based on the county's population. Counties that are CDBG recipients will receive the larger of the population or CDBG-based formula.

Eligible uses of these funds include:

- Revenue replacement for the provision of government services to the extent of the reduction in revenue due to the COVID-19 public health emergency, relative to revenues collected in the most recent fiscal year prior to the emergency,
- COVID-19 expenditures or negative economic impacts of COVID-19, including assistance to small businesses, households, and hard-hit industries, and economic recovery,
- Premium pay for essential workers,
- Investments in water, sewer, and broadband infrastructure.

Restrictions on the uses of these funds include:

- Funds allocated to states cannot be used to directly or indirectly to offset tax reductions or delay a tax or tax increase;
- Funds cannot be deposited into any pension fund.

Funding must be spent by the end of calendar year 2024.

As with previous COVID-19 relief packages, implementation will be an extensive process as new or updated guidance and FAQs are developed and released by the **U.S. Treasury**. For example, the legislation requires each jurisdiction's executive to "certify" that the funds will be used for eligible purposes. That process is currently under development by the U.S. Treasury.

GFOA will provide regular updates as information becomes available. If you have specific questions or need clarification, GFOA has launched an **online portal** to gather member questions to help shape engagement and solicit answers from the Administration.

For many jurisdictions, the funding provided under ARPA is substantial and could be transformational for states and local governments in their pandemic rescue and recovery efforts. Elected leaders will need to decide how to best use the additional funding consistent with the ARPA requirements, which are very broad. Finance officers play a critical role in advising elected leaders on the prudent spending of moneys received under ARPA. *Finance* *officers are best positioned to help ensure the long-term value of investments and financial stability of its government using this one-time infusion of resources.* When considering how to best advise elected officials and plan for the prudent use of ARPA funds, we offer the following outline of Guiding Principles for the use of ARPA funds:

GFOA American Rescue Plan Act Guiding Principles

Temporary Nature of ARPA Funds. ARPA funds are non-recurring so their use should be applied primarily to non-recurring expenditures.

- Care should be taken to avoid creating new programs or add-ons to existing programs that require an ongoing financial commitment.
- Use of ARPA funds to cover operating deficits caused by COVID-19 should be considered temporary and additional budget restraint may be necessary to achieve/maintain structural balance in future budgets.
- Investment in critical infrastructure is particularly well suited use of ARPA funds because it is a non-recurring expenditure that can be targeted to strategically important long-term assets that provide benefits over many years. However, care should be taken to assess any on-going operating costs that may be associated with the project.

ARPA Scanning and Partnering Efforts. State and local jurisdictions should be aware of plans for ARPA funding throughout their communities.

- Local jurisdictions should be cognizant of state-level ARPA efforts, especially regarding infrastructure, potential enhancements of state funding resources, and existing or new state law requirements.
- Consider regional initiatives, including partnering with other ARPA recipients. It is possible there are many beneficiaries of ARPA funding within your community, such as schools, transportation agencies and local economic development authorities. Be sure to understand what they are planning and augment their efforts; alternatively, creating

cooperative spending plans to enhance the structural financial condition of your community.

Take Time and Careful Consideration. ARPA funds will be issued in two tranches to local governments. Throughout the years of outlays, and until the end of calendar year 2024, consider how the funds may be used to address rescue efforts and lead to recovery.

- Use other dedicated grants and programs first whenever possible and save ARPA funds for priorities not eligible for other federal and state assistance programs.
- Whenever possible, expenditures related to the ARPA funding should be spread over the qualifying period (through December 31, 2024) to enhance budgetary and financial stability.
- Adequate time should be taken to carefully consider all alternatives for the prudent use of ARPA funding prior to committing the resources to ensure the best use of the temporary funding.

The influx of funds will undoubtedly benefit state and local finances, and aid in the recovery from the budgetary, economic, and financial impacts of the pandemic. Rating agencies will evaluate a government's use of the ARPA funds in formulating its credit opinion and, importantly, will consider your government's level of reserves and structural budget balance, or efforts to return to structural balance, as part of their credit analysis. Finance officers will play a critical role in highlighting the need to use ARPA funds prudently with an eye towards long-term financial stability and sustainable operating performance. The funding provided under ARPA provides a unique opportunity for state and local governments to make strategic investments in long-lived assets, rebuild reserves to enhance financial stability, and cover temporary operating shortfalls until economic conditions and operations normalize.

FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver $350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs

May 10, 2021

Aid to state, local, territorial, and Tribal governments will help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery

Today, the U.S. Department of the Treasury announced the launch of the Coronavirus State and Local Fiscal Recovery Funds, established by the American Rescue Plan Act of 2021, to provide $350 billion in emergency funding for eligible state, local, territorial, and Tribal governments. Treasury also released details on how these funds can be used to respond to acute pandemic response needs, fill revenue shortfalls among these governments, and support the communities and populations hardest-hit by the COVID-19 crisis. With the launch of the Coronavirus State and Local Fiscal Recovery Funds, eligible jurisdictions will be able to access this funding in the coming days to address these needs.

State, local, territorial, and Tribal governments have been on the frontlines of responding to the immense public health and economic needs created by this crisis – from standing up vaccination sites to supporting small businesses – even as these governments confronted revenue shortfalls during the downturn. As a result, these governments have endured unprecedented strains, forcing many to make untenable choices between laying off educators, firefighters, and other frontline workers or failing to provide other services that communities rely on. Faced with these challenges, state and local governments have cut over 1 million jobs since the beginning of the crisis. The experience of prior economic downturns has shown that budget pressures like these often result in prolonged fiscal austerity that can slow an economic recovery.

To support the immediate pandemic response, bring back jobs, and lay the groundwork for a strong and equitable recovery, the American Rescue Plan Act of 2021 established the Coronavirus State and Local Fiscal Recovery Funds, designed to deliver $350 billion to state, local, territorial, and Tribal governments to bolster their response to the COVID-19 emergency and its economic impacts. Today, Treasury is launching this much-needed relief to:

- Support urgent COVID-19 response efforts to continue to decrease spread of the virus and bring the pandemic under control;
- Replace lost public sector revenue to strengthen support for vital public services and help retain jobs;
- Support immediate economic stabilization for households and businesses; and,
- Address systemic public health and economic challenges that have contributed to the inequal impact of the pandemic on certain populations.

The Coronavirus State and Local Fiscal Recovery Funds provide substantial flexibility for each jurisdiction to meet local needs—including support for households, small businesses, impacted industries, essential workers, and the communities hardest-hit by the crisis. These funds also deliver resources that recipients can invest in building, maintaining, or upgrading their water, sewer, and broadband infrastructure.

Starting today, eligible state, territorial, metropolitan city, county, and Tribal governments may request Coronavirus State and Local Fiscal Recovery Funds through the Treasury Submission Portal. Concurrent with this program launch, Treasury has published an Interim Final Rule that implements the provisions of this program.

FUNDING AMOUNTS

The American Rescue Plan provides a total of $350 billion in Coronavirus State and Local Fiscal Recovery Funds to help eligible state, local, territorial, and Tribal governments meet their present needs and build the foundation for a strong recovery. Congress has allocated this funding to tens of thousands of jurisdictions. These allocations include:

Type	Amount ($ billions)
States & District of Columbia	$195.3
Counties	$65.1
Metropolitan Cites	$45.6
Tribal Governments	$20.0
Territories	$4.5
Non-Entitlement Units of Local Government	$19.5

Treasury expects to distribute these funds directly to each state, territorial, metropolitan city, county, and Tribal government. Local governments that are classified as non-entitlement units will receive this funding through their applicable state government. Treasury expects to provide further guidance on distributions to non-entitlement units next week.

Local governments should expect to receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered 12 months later. States that have experienced a net increase in the unemployment rate of more than 2 percentage points from February 2020 to the latest available data as of the date of certification will receive their full allocation of funds in a single payment; other states will receive funds in two equal tranches. Governments of U.S. territories will receive a single payment. Tribal governments will receive two payments, with the first payment available in May and the second payment, based on employment data, to be delivered in June 2021.

USES OF FUNDING

Coronavirus State and Local Fiscal Recovery Funds provide eligible state, local, territorial, and Tribal governments with a substantial infusion of resources to meet pandemic response needs and rebuild a stronger, more equitable economy as the country recovers. Within the categories of eligible uses, recipients have broad flexibility to decide how best to use this funding to meet the needs of their communities. Recipients may use Coronavirus State and Local Fiscal Recovery Funds to:

- **Support public health expenditures,** by funding COVID-19 mitigation efforts, medical expenses, behavioral healthcare, and certain public health and safety staff;

- **Address negative economic impacts caused by the public health emergency,** including economic harms to workers, households, small businesses, impacted industries, and the public sector;

- **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;

- **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,

- **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.

Within these overall categories, Treasury's Interim Final Rule provides guidelines and principles for determining the types of programs and services that this funding can support, together with examples of allowable uses that recipients may consider. As described below, Treasury has also designed these provisions to take into consideration the disproportionate impacts of the COVID-19 public health emergency on those hardest-hit by the pandemic.

1. **Supporting the public health response**

Mitigating the impact of COVID-19 continues to require an unprecedented public health response from state, local, territorial, and Tribal governments. Coronavirus State and Local Fiscal Recovery Funds provide resources to meet these needs through the provision of care for those impacted by the virus and through services that address disparities in public health that have been exacerbated by the pandemic. Recipients may use this funding to address a broad range of public health needs across COVID-19 mitigation, medical expenses, behavioral healthcare, and public health resources. Among other services, these funds can help support:

- **Services and programs to contain and mitigate the spread of COVID-19, including:**

  - ✓ Vaccination programs
  - ✓ Medical expenses
  - ✓ Testing
  - ✓ Contact tracing
  - ✓ Isolation or quarantine
  - ✓ PPE purchases
  - ✓ Support for vulnerable populations to access medical or public health services
  - ✓ Public health surveillance (e.g., monitoring for variants)
  - ✓ Enforcement of public health orders
  - ✓ Public communication efforts
  - ✓ Enhancement of healthcare capacity, including alternative care facilities
  - ✓ Support for prevention, mitigation, or other services in congregate living facilities and schools
  - ✓ Enhancement of public health data systems
  - ✓ Capital investments in public facilities to meet pandemic operational needs
  - ✓ Ventilation improvements in key settings like healthcare facilities

- **Services to address behavioral healthcare needs exacerbated by the pandemic, including:**
  - ✓ Mental health treatment
  - ✓ Substance misuse treatment
  - ✓ Other behavioral health services
  - ✓ Hotlines or warmlines
  - ✓ Crisis intervention
  - ✓ Services or outreach to promote access to health and social services

- **Payroll and covered benefits expenses** for public health, healthcare, human services, public safety and similar employees, to the extent that they work on the COVID-19 response. For public health and safety workers, recipients can use these funds to cover the full payroll and covered benefits costs for employees or operating units or divisions primarily dedicated to the COVID-19 response.

2. **Addressing the negative economic impacts caused by the public health emergency**

The COVID-19 public health emergency resulted in significant economic hardship for many Americans. As businesses closed, consumers stayed home, schools shifted to remote education, and travel declined precipitously, over 20 million jobs were lost between February and April 2020. Although many have since returned to work, as of April 2021, the economy remains more than 8 million jobs below its pre-pandemic peak, and more than 3 million workers have dropped out of the labor market altogether since February 2020.

To help alleviate the economic hardships caused by the pandemic, Coronavirus State and Local Fiscal Recovery Funds enable eligible state, local, territorial, and Tribal governments to provide a wide range of assistance to individuals and households, small businesses, and impacted industries, in addition to enabling governments to rehire public sector staff and rebuild capacity. Among these uses include:

- **Delivering assistance to workers and families**, including aid to unemployed workers and job training, as well as aid to households facing food, housing, or other financial insecurity. In addition, these funds can support survivor's benefits for family members of COVID-19 victims.
- **Supporting small businesses**, helping them to address financial challenges caused by the pandemic and to make investments in COVID-19 prevention and mitigation tactics, as well as to provide technical assistance. To achieve these goals, recipients may employ this funding to execute a broad array of loan, grant, in-kind assistance, and counseling programs to enable small businesses to rebound from the downturn.
- **Speeding the recovery of the tourism, travel, and hospitality sectors**, supporting industries that were particularly hard-hit by the COVID-19 emergency and are just now beginning to mend. Similarly impacted sectors within a local area are also eligible for support.
- **Rebuilding public sector capacity,** by rehiring public sector staff and replenishing unemployment insurance (UI) trust funds, in each case up to pre-pandemic levels. Recipients may also use this funding to build their internal capacity to successfully implement economic relief programs, with investments in data analysis, targeted outreach, technology infrastructure, and impact evaluations.

3. **Serving the hardest-hit communities and families**

While the pandemic has affected communities across the country, it has disproportionately impacted low-income families and communities of color and has exacerbated systemic health and economic inequities. Low-income and socially vulnerable communities have experienced the most severe health impacts. For example, counties with high poverty rates also have the highest rates of infections and deaths, with 223 deaths per 100,000 compared to the U.S. average of 175 deaths per 100,000.

Coronavirus State and Local Fiscal Recovery Funds allow for a broad range of uses to address the disproportionate public health and economic impacts of the crisis on the hardest-hit communities, populations, and households. Eligible services include:

- **Addressing health disparities and the social determinants of health,** through funding for community health workers, public benefits navigators, remediation of lead hazards, and community violence intervention programs;
- **Investments in housing and neighborhoods**, such as services to address individuals experiencing homelessness, affordable housing development, housing vouchers, and residential counseling and housing navigation assistance to facilitate moves to neighborhoods with high economic opportunity;
- **Addressing educational disparities** through new or expanded early learning services, providing additional resources to high-poverty school districts, and offering educational services like tutoring or afterschool programs as well as services to address social, emotional, and mental health needs; and,
- **Promoting healthy childhood environments,** including new or expanded high quality childcare, home visiting programs for families with young children, and enhanced services for child welfare-involved families and foster youth.

Governments may use Coronavirus State and Local Fiscal Recovery Funds to support these additional services if they are provided:

- within a Qualified Census Tract (a low-income area as designated by the Department of Housing and Urban Development);
- to families living in Qualified Census Tracts;
- by a Tribal government; or,
- to other populations, households, or geographic areas disproportionately impacted by the pandemic.

4. **Replacing lost public sector revenue**

State, local, territorial, and Tribal governments that are facing budget shortfalls may use Coronavirus State and Local Fiscal Recovery Funds to avoid cuts to government services. With these additional resources, recipients can continue to provide valuable public services and ensure that fiscal austerity measures do not hamper the broader economic recovery.

Many state, local, territorial, and Tribal governments have experienced significant budget shortfalls, which can yield a devastating impact on their respective communities. Faced with budget shortfalls and pandemic-related uncertainty, state and local governments cut staff in all 50 states. These budget shortfalls and staff cuts are particularly problematic at present, as these entities are on the front lines of battling the COVID-19 pandemic and helping citizens weather the economic downturn.

Recipients may use these funds to replace lost revenue. Treasury's Interim Final Rule establishes a methodology that each recipient can use to calculate its reduction in revenue. Specifically, recipients will compute the extent of their reduction in revenue by comparing their actual revenue to an alternative representing what could have been expected to occur in the absence of the pandemic. Analysis of this expected trend begins with the last full fiscal year prior to the public health emergency and projects forward at either (a) the recipient's average annual revenue growth over the three full fiscal years prior to the public health emergency or (b) 4.1%, the national average state and local revenue growth rate from 2015-18 (the latest available data).

For administrative convenience, Treasury's Interim Final Rule allows recipients to presume that any diminution in actual revenue relative to the expected trend is due to the COVID-19 public health emergency. Upon receiving Coronavirus State and Local Fiscal Recovery Funds, recipients may immediately calculate the reduction in revenue that occurred in 2020 and deploy funds to address any shortfall. Recipients will have the opportunity to re-calculate revenue loss at several points through the program, supporting those entities that experience a lagged impact of the crisis on revenues.

Importantly, once a shortfall in revenue is identified, recipients will have broad latitude to use this funding to support government services, up to this amount of lost revenue.

5. **Providing premium pay for essential workers**

Coronavirus State and Local Fiscal Recovery Funds provide resources for eligible state, local, territorial, and Tribal governments to recognize the heroic contributions of essential workers. Since the start of the public health emergency, essential workers have put their physical well-being at risk to meet the daily needs of their communities and to provide care for others.

Many of these essential workers have not received compensation for the heightened risks they have faced and continue to face. Recipients may use this funding to provide premium pay directly, or through grants to private employers, to a broad range of essential workers who must be physically present at their jobs including, among others:

- ✓ Staff at nursing homes, hospitals, and home-care settings
- ✓ Workers at farms, food production facilities, grocery stores, and restaurants
- ✓ Janitors and sanitation workers
- ✓ Public health and safety staff
- ✓ Truck drivers, transit staff, and warehouse workers
- ✓ Childcare workers, educators, and school staff
- ✓ Social service and human services staff

Treasury's Interim Final Rule emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual wage requires specific justification for how it responds to the needs of these workers.

In addition, employers are both permitted and encouraged to use Coronavirus State and Local Fiscal Recovery Funds to offer retrospective premium pay, recognizing that many essential workers have not yet received additional compensation for work performed. Staff working for third-party contractors in eligible sectors are also eligible for premium pay.

6. **Investing in water and sewer infrastructure**

Recipients may use Coronavirus State and Local Fiscal Recovery Funds to invest in necessary improvements to their water and sewer infrastructures, including projects that address the impacts of climate change.

Recipients may use this funding to invest in an array of drinking water infrastructure projects, such as building or upgrading facilities and transmission, distribution, and storage systems, including the replacement of lead service lines.

Recipients may also use this funding to invest in wastewater infrastructure projects, including constructing publicly-owned treatment infrastructure, managing and treating stormwater or subsurface drainage water, facilitating water reuse, and securing publicly-owned treatment works.

To help jurisdictions expedite their execution of these essential investments, Treasury's Interim Final Rule aligns types of eligible projects with the wide range of projects that can be supported by the Environmental Protection Agency's Clean Water State Revolving Fund and Drinking Water State Revolving Fund. Recipients retain substantial flexibility to identify those water and sewer infrastructure investments that are of the highest priority for their own communities.

Treasury's Interim Final Rule also encourages recipients to ensure that water, sewer, and broadband projects use strong labor standards, including project labor agreements and community benefits agreements that offer wages at or above the prevailing rate and include local hire provisions.

7. **Investing in broadband infrastructure**

The pandemic has underscored the importance of access to universal, high-speed, reliable, and affordable broadband coverage. Over the past year, millions of Americans relied on the internet to participate in remote school, healthcare, and work.

Yet, by at least one measure, 30 million Americans live in areas where there is no broadband service or where existing services do not deliver minimally acceptable speeds. For millions of other Americans, the high cost of broadband access may place it out of reach. The American Rescue Plan aims to help remedy these shortfalls, providing recipients with flexibility to use Coronavirus State and Local Fiscal Recovery Funds to invest in broadband infrastructure.

Recognizing the acute need in certain communities, Treasury's Interim Final Rule provides that investments in broadband be made in areas that are currently unserved or underserved—in other words, lacking a wireline connection that reliably delivers minimum speeds of 25 Mbps download and 3 Mbps upload. Recipients are also encouraged to prioritize projects that achieve last-mile connections to households and businesses.

Using these funds, recipients generally should build broadband infrastructure with modern technologies in mind, specifically those projects that deliver services offering reliable 100 Mbps download and 100

Mbps upload speeds, unless impracticable due to topography, geography, or financial cost. In addition, recipients are encouraged to pursue fiber optic investments.

In view of the wide disparities in broadband access, assistance to households to support internet access or digital literacy is an eligible use to respond to the public health and negative economic impacts of the pandemic, as detailed above.

8. **Ineligible Uses**

Coronavirus State and Local Fiscal Recovery Funds provide substantial resources to help eligible state, local, territorial, and Tribal governments manage the public health and economic consequences of COVID-19. Recipients have considerable flexibility to use these funds to address the diverse needs of their communities.

To ensure that these funds are used for their intended purposes, the American Rescue Plan Act also specifies two ineligible uses of funds:

- **States and territories may not use this funding to directly or indirectly offset a reduction in net tax revenue due to a change in law from March 3, 2021 through the last day of the fiscal year in which the funds provided have been spent.** The American Rescue Plan ensures that funds needed to provide vital services and support public employees, small businesses, and families struggling to make it through the pandemic are not used to fund reductions in net tax revenue. Treasury's Interim Final Rule implements this requirement. If a state or territory cuts taxes, they must demonstrate how they paid for the tax cuts from sources other than Coronavirus State Fiscal Recovery Funds—by enacting policies to raise other sources of revenue, by cutting spending, or through higher revenue due to economic growth. If the funds provided have been used to offset tax cuts, the amount used for this purpose must be paid back to the Treasury.
- **No recipient may use this funding to make a deposit to a pension fund.** Treasury's Interim Final Rule defines a "deposit" as an extraordinary contribution to a pension fund for the purpose of reducing an accrued, unfunded liability. While pension deposits are prohibited, recipients may use funds for routine payroll contributions for employees whose wages and salaries are an eligible use of funds.

Treasury's Interim Final Rule identifies several other ineligible uses, including funding debt service, legal settlements or judgments, and deposits to rainy day funds or financial reserves. Further, general infrastructure spending is not covered as an eligible use outside of water, sewer, and broadband investments or above the amount allocated under the revenue loss provision. While the program offers broad flexibility to recipients to address local conditions, these restrictions will help ensure that funds are used to augment existing activities and address pressing needs.

Cambridge-Deerfield Players Theater
P.O. Box 511
Cambridge, WI 53523
www.cdplayerstheater.com
cdplayerstheater@gmail.com

May 25, 2021

Mark McNally, President
Village of Cambridge
PO Box 99
Cambridge, Wisconsin 53523

Dear President McNally:

Federal stimulus funds have been provided to communities under the American Rescue Plan Act to respond to the negative economic impact of the COVID-19 pandemic on small businesses and non-profits. Cambridge Deerfield Players Theater (CD Players) is small business and a non-profit organization that has been impacted by the pandemic. On behalf of the CD Players Board of Directors, I am requesting that the Village of Cambridge consider allocating stimulus funds to help our organization recover the administrative costs incurred in 2020, not the lost revenue in 2020.

Cambridge Deerfield Players Theater was founded in 2004 by the late Judy Brandt, who wanted to bring musical theater to the adults and children in the Cambridge and Deerfield communities. Since 2011 CD Players has staged all of our shows in the Cambridge Historical Gym. Prior to 2011, shows were staged in both the Cambridge and Deerfield communities, alternating between the Cambridge High School and Deerfield High School stages. Casts included anyone from age 5 to 95 and usually number around 100 cast members for both shows plus at least 100 adult and children volunteers for both shows. Volunteers include CD Players board members, cast member parents, relatives and friends, and many in and outside the community who volunteer to sew costumes, build and paint sets, provide sound and lighting technical expertise, provide stage management, choreograph dances, play piano for rehearsals and performances, direct the show, usher at performances, sell concessions and flowers, help with hair and makeup and many other aspects of theater production, just for the love of theater.

The cancellation of the 2020 show season, as well as the 2021 show season, not only resulted and will result in a loss of revenue, but eliminated the opportunity for adults and children to participate in musical theater. The intended audience was deprived of attending one or both of the shows. In 2019 approximately 1250 people attended both shows with those in attendance coming from not only the surrounding communities of Cambridge and Deerfield, but Marshall, Lake Mills, Stoughton, Cottage Grove, Fort Atkinson, Jefferson, Sun Prairie and Madison to name a few. Not only did the CD Players shows benefit from audience attendance, so did the Cambridge community and businesses.

The following chart shows the revenue, show expenditures and administrative costs for the 2019 shows, and the administrative costs for 2020 in which CD Players cancelled both summer shows.

2019 Revenue	2019 Show Expenses	2019 Administrative Costs	2020 Revenue	2020 Show Expenses	2020 Administrative Costs
33,896.77	21428.87	4,655.80	0	0	4396.12

If you have questions about the information in this letter or would like to meet, please contact me at 608-212-0672. I will follow up with you if I have not heard back in three weeks.

Sincerely,

Deanne Herrling

Deanne Herrling, President
Cambridge Deerfield Players Theater

CC: Cambridge Board Members