

To: Finance Committee of the City Council and Acting Mayor Terry Murphy  
CC: Auditor Tanya Wdowiak, Treasurer Katie Jackowski  
From: Alicia M. Zoeller, Administrator  
Re: American Rescue Plan Act Grant  
Date: June 11, 2021

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I am providing this memo in response to questions from City Council- Finance Committee members regarding the process for allocating American Rescue Plan Act funds in the City of Holyoke. Acting Mayor Terry Murphy directed the Office for Community Development, the City Auditor and the Acting City Treasurer to facilitate an allocation process which would ensure rapid deployment of ARPA funds, provide a timely recovery for the community and comply with the rigorous federal requirements of the Act. In reviewing the Interim Rule and Treasury guidance, it was determined that mirroring the established CDBG allocation process would be the most efficient and transparent process and would ensure that the requirements of the Interim Rule are met.

The American Rescue Plan Act will provide the City of Holyoke with \$29,894,310.00 in Coronavirus State and Local Fiscal Recovery Funds through the United States Department of the Treasury. Although the funds are distributed through the United States Department of the Treasury, the Interim Rule incorporates many standards from the United States Housing and Urban Development (HUD) Community Development Block Grant program (CDBG).

#### Treasury Grant Allocation Methodology

The Treasury Department utilized the Community Development Block Grant formula for determining the awards to metropolitan cities. See May 10, 2021 *Methodology Statement* from Treasury Department.

(<https://home.treasury.gov/system/files/136/Allocation-Methodology-for-MetropolitanCities-508A.pdf>)

#### ARPA CLFRF Eligible Activities

The ARPA eligible uses mirror the CDBG Program in a most categories including:

- Use of funds in geographically limited areas (Qualified Census Tracts)
- Use of fund primarily for low- and moderate-income households
- Use of funds for public services, affordable housing, small business development, water & sewer infrastructure

See *Quick Reference Guide* for more detailed list of uses.

(<https://home.treasury.gov/system/files/136/SLFRP-Quick-Reference-Guide-FINAL-508a.pdf>)

#### ARPA CLFRF Compliance Requirements

The Interim Rule contains compliance requirements that mirror the CDBG Program. The City's CDBG Program meets these requirements and is easily adaptable to the ARPA grant. These include:

- Facilitation of transparency and accountability through public reporting of assistance
- Monitoring and overseeing subrecipient's use of ARPA funds
- Reporting of the ARPA funds, performance, and programs to the Treasury
- Federal compliance requirements for environmental protection, lead-based paint controls, federal prevailing wages, debarment, cost reasonableness, procurement and more

See Interim Rule.

(<https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>)

### Recoupment Risk

Under the Act, failure to comply with the restrictions on uses may result in recoupment of ARPA funds. To ensure that the City is not subject to recoupment, a detailed process where proposed uses can be properly vetted and administered is necessary. By adopting the CDBG process, existing federally compliant legal documents and systems such as grant agreements, income verification systems, policies and procedures can be readily used to minimize risk.

See *Section IV. Recoupment Process* of Interim Rule.

(<https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>)

### City of Holyoke Staff Capacity to Manage Funds

At the present time, the human capacity of municipal departments is stretched quite thin. Departments are operating with acting department heads, reduced employee counts, new or inexperienced staff and additional COVID-19 related responsibilities. Employees are recovering from the impacts and trauma of the COVID-19 pandemic on themselves, their families, and their workplaces. Adopting an existing allocation and funds management process that departments have successfully utilized for decades ensures that the ARPA funds can be quickly and efficiently deployed while meeting the federal requirements.

### Community Access to ARPA Funds and Public Participation

By adopting CDBG Program protocols, allocation of the ARPA funds will be conducted in a highly transparent, objective manner with a community input element to ensure that stakeholders, residents, businesses, advocates, and elected officials have opportunities to participate in the allocation process. In providing an objective transparent process, the City will be compliant with ARPA's emphasis on addressing pre-pandemic social vulnerabilities and inequalities and providing opportunities for all members of the community to be heard or represented.

The City's non-profit and other strategic partners are familiar with the CDBG process. Creating a new system of allocation would increase the administrative burden on these partners just as they are beginning to re-emerge from the COVID-19 pandemic and slow the distribution of funds to the most needed sectors of the community.

As Mayor Murphy has stated, ARPA funds that are allocated to replace public sector revenue loss (amount TBD), will be subject to the usual general revenue financial management process with the City Council.

### Closing

Mayor Murphy, Auditor Wdowiak, Treasurer Jackowski, department staff, and me continue to review guidance (new nearly daily) from the Treasury Department and others like the National League of Cities, Massachusetts Municipal Association, MA DOR, and US Conference of Mayors to ensure that the City maximizes this opportunity. I encourage you to review these resources to gain an appreciation of how quickly Mayor Murphy identified a path forward. As always, please do not hesitate to contact me with any other questions. I look forward to our continued recovery work together.

<https://www.nlc.org/covid-19-pandemic-response/>

<https://www.mma.org/treasurys-arpa-guidance-provides-flexibility-focus-on-equity/>

<https://www.usmayors.org/issues/covid-19/american-rescue-plan/>