

MEMORANDUM

TO: Whatcom County Council

THROUGH: Satpal Sidhu, County Executive

FROM: Tyler Schroeder, Deputy Executive

RE: American Rescue Plan Act (ARPA) Update

DATE: September 20, 2022

Background

The American Rescue Plan Act (ARPA) of 2021 provided \$350 billion to state, local, and Tribal governments across the country as part of the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) program. The United States Department of the Treasury provided federal funds to jurisdictions through a non-competitive grant process in two tranches; Whatcom County has now received both of its tranches of funds, totaling \$44,528,542. All funds must be committed by December 31, 2024 and expended by December 31, 2026.

Treasury released its SLFRF Final Rule on January 6, 2022. The Final Rule created some additional flexibility for allocation of ARPA funds, particularly as it relates to childcare, affordable housing, and revenue loss calculations for local governments. A summary of the Final Rule is linked [here](#).

Also, the Administration has just been recently notified, that as a public lands County, Whatcom County may receive separate funding under the Local Assistance and Tribal Consistency Fund. According to a U.S. Treasury guidance document, dated July 2022, eligible counties will be able to review their allocations of the total \$1.5 billion by September 30th of this year. These funds can be spent on general government services. The Executive will incorporate any expected funding into the budget process and will update the Council will more information once it is available from U.S. Treasury.

Spending Plan

In 2021, the Executive and Council discussed a plan for allocation of the County's ARPA award (herein after referred to as "spending plan"). This spending plan exceeded the ARPA allocation by approximately \$6M. The Executive and Council have incorporated the spending plan into the 2022 budget, through the mid-biennium budget process and supplemental budget actions.

The table on page 4 of this memo reflects progress toward the spending plan and presents a balanced ARPA budget.

- The "Committed" column includes funds under contract with an outside entity or budgeted for as County expenditures. In some cases, numbers in this column are reduced from the 2022-2023 budget based on anticipated spending.
- The "Proposed 2023-2024" column reflects what Council can expect to see in the Executive's 2023-2024 budget.

- The “Remaining to Allocate” column shows funds that have been allocated in the spending plan but not included in any budget.

Further explanatory narrative is provided here for some of the spending categories.

Childcare – The spending plan includes \$13M for childcare investments (\$12.2 M in childcare and \$800,000 in Revenue Loss)

\$1M was spent on the Laurel & Forest childcare project, which will add capacity for 65 children. The below table reflects this cost as a \$200,000 childcare facility commitment and an \$800,000 transfer to the Northwest Annex project in the Revenue Loss category. This \$800,000 transfer represents the County’s surplus of the Laurel & Forest site for the childcare project.

The Health Department and the Executive’s Office have been working with the Opportunity Council and the City of Bellingham to contract for \$2M in stabilization funds (budgeted for 2023-2024). These funds will be used for up to 77 subawards to childcare providers in order to stabilize the childcare workforce, mitigate pandemic impacts, and increase technical assistance and capacity-building activities through the Center for Retention & Expansion of Childcare.

In the 2023-2024 budget, the Executive will also propose \$634,000 for three additional positions to advance community-based childcare and child wellbeing efforts. These positions will be funded by the Children’s levy if the ballot initiative is successful, but are budgeted for ARPA for the time being.

The Executive’s Office, Health Department, and sector stakeholders are working together to create a Request for Proposals for childcare/early learning providers to apply for capital, equipment, one-time, and pilot project funds to meet community priorities around childcare. After consultation with childcare stakeholders, the Executive recommends broadening this opportunity beyond facility-only funds. The tentative release date for this funding opportunity is October 2022. The initial funding round will include \$4M, and the Health Department will accept provider applications on a rolling basis. A second round of funding for \$500,000 would be rolled out at a later date for smaller providers. This \$4.5M will be included in the 2023 budget.

The remaining \$4,866,000 of childcare funding will be subject to additional conversations with the Council and stakeholders based on interest from the initial round of facility funding and the results of the Children’s ballot initiative.

Housing Capital – The Health Department and the Executive’s Office have been working with housing providers to identify capital projects that can be supported through ARPA. To date, the County has the following projects under contract: Evergreen Ridge, Samish Commons, Laurel/Forest and Thornton Road acquisition. Together, these projects are anticipated to preserve 145 units and add 155 units of affordable housing.

There is approximately \$450,000 budgeted for 2023-2024 to support another capital project.

Homeless Services & Shelter Capital - The Health Department has contracted with a number of entities to provide tenant support programs, premium pay for housing providers, and operate impacted youth shelters.

There is close to \$3,000,000 budgeted for 2023-2024 to support homeless services and specialty shelter capital over the next two years. Planned projects include capital for a Families with Children shelter in north Whatcom County.

Criminal Justice Backlog – Administrative Services has projected staffing costs associated with the criminal justice backlog through 2024. These commitments will be reflected in the positions included in the 23-24 biennium budget for District Court, Public Defender, Prosecuting Attorney, and Superior Court.

Health Response – The Health Department and Sheriff’s Office continues to work on COVID-19 response and plan on incorporating additional ARPA expenditures into the 23-24 budget. Even with these additional expenditures, there is approximately \$686,000 remaining from the Spending Plan that could be reallocated to another priority.

Broadband - The Port of Bellingham, is preparing for a presentation to Council on October 11th regarding \$4M in potential broadband projects. Council will have the opportunity to provide feedback on the proposed package of projects and guidance related to ARPA spending on broadband.

Food Security - The original spending plan did not include an allocation for food security. After a recent presentation from the Bellingham and Whatcom County Food Banks, Council indicated the Executive should prepare an ASR for bulk food purchases, and Council ultimately approved a \$500,000 ASR and contract.

Public Infrastructure - The spending plan originally included \$4,000,000 for countywide infrastructure. In lieu of ARPA, the County funded these projects with EDI funding.

Retail Advocate Program – The spending plan originally include \$250,000 for a retail advocate program in Point Roberts. After further consideration of need, this funding was reallocated to the remaining column in the Revenue Loss category to be used for other programmatic purposes.

Revenue Loss/Government Services –

The table below reduces the spending plan’s revenue loss/general government services allocation from \$4.1M to \$2.6M in order to balance the ARPA budget. As such, there is approximately \$1.4M remaining to allocate for general government services that should be the subject of discussions between the Executive and Council. Spending authority for these funds will be proposed in the Executive’s 2023 budget.

It is important to note that with the release of the final guidance on January 6, 2022, Whatcom County may use up to \$27M of ARPA funding as “revenue loss”, which allows it to be spent on general government purposes not requiring a nexus with COVID. Many of the programmatic investments from other categories will ultimately be reported to Treasury as “revenue loss”. Finance will begin reporting any ARPA spending as “revenue loss” as soon as the County has only \$27M remaining in available funds. The Executive would still use the last \$27M for investments as directed by Council and outlined in the Spending Plan, but would no longer be subject to federal compliance requirements and commitment/expenditure deadlines.

Incorporating ARPA into the 2023-2024 Budget Process

Over the next several weeks, the Administration will firm up the numbers included on page 4; the information presented here may see minor adjustments as numbers are finalized. During the budget process, the

Executive and Council can have further discussion around budget proposals and the uses of remaining ARPA dollars.

Please reach out to the Executive, myself or Kayla in our office for questions, further discussion, or to provide early feedback on ARPA budgeting for 2023-2024 and remaining allocation priorities.

Whatcom County - ARPA Updated Spending Plan

Allocation	Spending Plan	Committed	Proposed 2023-2024	Remaining to Allocate	Percent of Total
Childcare Capital	\$ 9,200,000	\$ 200,000	\$ 4,500,000	\$ 4,500,000	21%
Laurel and Forest		\$ 200,000			
Childcare Stabilization	\$ 3,000,000		\$ 2,634,000	\$ 366,000	7%
Childcare Stabilization Grants			\$ 2,000,000		
Staffing			\$ 634,000		
Housing Capital	\$ 7,225,000	\$ 6,775,747	\$ 449,253		16%
Evergreen Ridge		\$ 2,000,000			
Laurel and Forest		\$ 3,000,000			
Samish Commons		\$ 525,000			
Thornton Street		\$ 1,250,747			
Homeless Services & Shelter Capital	\$ 5,500,000	\$ 2,524,481	\$ 2,975,519		12%
Landlord - Tenant Supports		\$ 74,800			
Premium Pay		\$ 184,921			
Shelter services		\$ 689,760			
Waystation		\$ 1,500,000			
Youth Shelter		\$ 75,000			
Criminal Justice Backlog	\$ 6,582,756	\$ 2,242,927	\$ 4,339,829		15%
Dibble Building Lease		\$ 79,398			
District Court		\$ 150,194	\$ 283,487		
Prosecuting Attorney		\$ 445,034	\$ 813,426		
Public Defender		\$ 1,083,864	\$ 2,253,718		
Superior Court		\$ 399,105	\$ 837,336		
Clerk		\$ 85,332	\$ 151,862		
Public Health	\$ 5,841,369	\$ 2,076,430	\$ 3,079,074	\$ 685,865	13%
Direct COVID-19 Response		\$ 1,864,000	\$ 2,876,786		
Jail COVID-19		\$ 212,430	\$ 202,288		
Broadband	\$ 4,000,000		\$ 4,000,000		9%
Food Security	\$ 500,000	\$ 500,000			1%
Bellingham Food Bank		\$ 500,000			
Revenue Loss/Gov't Services	\$ 2,679,417	\$ 1,160,233	\$ 108,962	\$ 1,410,223	6%
Transfer to Northwest Annex Project		\$ 800,000			
Frozen Positions		\$ 348,633			
ARPA Administration		\$ 11,600	\$ 108,962		
Grand Total	\$ 44,528,542	\$ 15,479,818	\$ 22,086,637	\$ 6,962,088	100%