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CITY OF MUSCATINE PRESS RELEASE

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CITY EVALUATING WHAT STIMULUS MONEY CAN BE USED FOR

Questions remain regarding payment to City and rules for use of stimulus money

MUSCATINE, Iowa – The City of Muscatine is in line to receive \$3.28 million from the American Rescue Plan Act of 2021 but what it can and cannot be used for is one of the biggest questions officials have.

“We are beginning the process of studying this legislation,” Carol Webb, City Administrator, said. “We will take a hard look at what we can do that will be the best fit for the needs of our community and then report those findings for City Council consideration.”

Webb indicated that City staff will evaluate the legislation and formulate a preliminary plan that will be presented to City Council for discussion. From Council’s feedback, the plan will be formalized and presented to Council for adoption.

“Taking the time to evaluate where the resources need to go and to make sure we get the plan right is essential,” Webb said. “We have excellent staff resources who can provide the best insight as to where these monies can best be used.”

A preliminary plan will be presented at a future in-depth City Council session for discussion and feedback from Council and the general public.



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The Government Finance Officers Association (GFOA) and the Iowa League of Cities each released a member alert concerning the relief package and how the funds will be provided for state, county, and local aid. The GFOA added that the legislation also includes funding for education, rental assistance, and transit.

Funding was determined using a modified Community Development Block Grant (CDBG) formula and divided between entitlement cities (those 50,000 population and over) and those non-entitlement cities (those under 50,000 population).

Payments for entitlement cities will be made in two installments – the first half of the funds coming 60 days after enactment of ARPA 2021 and the second half one year later. Payments for non-entitlement cities will be sent to the respective state governments who will have 30 days to disperse the funds to local governments in two installments with the second installment payable a year after the first installment is dispersed.

Funding must be spent by the end of the 2024 calendar year. Recipient governments must provide periodic reports to the U.S. Department of Treasury with a detailed accounting of the use of funds. The U.S. Department of Treasury can recoup funds if the recipient does not comply with the eligible uses.

“We are beginning to evaluate what we can use this money for according to what we know right now,” Nancy Lueck, City of Muscatine Finance Director, said. “More information will probably be provided by the federal government later, but, for now, the language of the legislation opens the door for many questions.”

ARPA 2021 states that eligibility for use of the funding is broader than the \$15 billion Coronavirus Relief Fund (CRF) that was established by the CARES Act. Specifically, eligible uses include:

- Measure revenue loss as “the provision of government services to the extent of the reduction in revenue” of the entity “due to the COVID-19 public health emergency relative to revenues collected in the most recent full fiscal year” prior to the emergency;



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- Include premium pay for eligible workers performing essential work (as determined by the state government) during the pandemic, providing up to \$13 per hour above regular wages;
- Assistance to small businesses, households, and hard-hit industries, and economic recovery; and,
- Includes investments in water, sewer, and broadband infrastructure.

ARPA 2021 does not provide funds to be used to directly or indirectly offset tax reductions or delay a tax or tax increase, and the funds cannot be deposited into any pension fund.

The determination of whether the measurement of COVID-19 impacts on revenue between one fiscal year and a previous year are on the overall budget or implemented on a source-by-source basis is one unanswered question.

“I would think that the determination would be on a source-by-source basis,” Lueck said.

Every department budget was affected in different ways by the COVID-19 revenue restrictions and some budgets took bigger hits than others.

“There is a lag between the time revenue streams are generated and the reporting of what those revenue streams would actually provide,” Webb said.

For example, the City does not learn what their portion of the hotel/motel tax would be until much later (i.e., first quarter reports (July-September) are not released until the end of November).

“Understanding this lag and its effect on revenue resources is one of the keys to our evaluation of where the funds should go,” Lueck said.

This one-time or special purpose revenue should not be used to subsidize reoccurring personnel, operating, and maintenance costs according to the City of Muscatine fiscal policies.



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These funds can be used to fund capital expenditures or one-time expenditures required by that revenue, but cannot be absorbed into the City's fiscal year budget.

Lueck and her staff studied and reported to City Council the potential impact of the COVID-19 revenue restrictions a year ago. The recommendations from that research allowed the city to maintain services while deferring some personnel hiring and infrastructure work.

The legislation also allows investment in water, sewer, or broadband structure, but does not mention streets, roads, or similar infrastructure projects.

“As we learn more about this legislation, what is allowed and what is not, and what kind of reporting structure there will be, we will be better able to prepare a plan,” Lueck said.

Council and public input will be instrumental in the finalization of any plan to use the ARPA funds. A decision as to which in-depth meeting the presentation will be made to the Council and the public will be made at a later date.