

## MEMORANDUM

TO: Norfolk City Council

CC TO: Dr. Larry H. Filer II, City Manager

FROM: Gregory Patrick, Director of Budget and Strategic Planning

SUBJECT: State and Local Fiscal Recovery Funds (SLFRF)

DATE: May 5, 2022

As discussed during the first budget work session, the city, through the American Rescue Plan Act (ARPA) is both the direct and indirect recipient of various federal and state grant funds. The most noteworthy funding from this legislation is the State and Local Fiscal Recovery Funds (SLFRF) coming directly from the federal government to the city. This \$154 million was the focus of our public engagement efforts with residents over the past several months and culminated in the presentation of recommendations during the March Council Retreat.

The SLFRF funds have a range of eligible uses that include funding government services in an amount equal to the revenue loss experienced by the recipient due to the COVID-19 public health emergency – commonly referred to as the “revenue loss provision”. The U.S. Department of the Treasury (Treasury) has provided detailed guidance on how municipalities are to calculate eligible revenue loss. City staff have confirmed that Norfolk’s calculated revenue loss will be substantially more than our total SLFRF allocation and recommend expending our entire \$154 million grant via this eligible use.

Expending SLFRF funds in this way will give us added flexibility in the use of the funds and simplify the federal reporting requirements. Simplified reporting requirements will be especially helpful to sub-grantees in the capacity building nonprofit assistance program; many of which will not have the sophisticated financial infrastructure required for federal grant compliance.

In support of this recommendation, I will ask Council to appropriate the SLFRF funds to be used to fund government services to support the Recommended Investment Plan (Plan) as outlined in the table below. This ordinance will accompany the budget ordinances on May 10<sup>th</sup>. Transitioning the expenses of eligible city services to the SLFRF grant, will create budgetary savings in FY 2022 that Council will then authorize to begin spending in FY 2023 on the specific projects in the Plan.

## ***Recommended SLFRF Investment Plan***

<b>Category</b>	<b>Allocation</b>
Downtown Floodwall Project	\$64,000,000
Continuity of Services	\$48,100,000
Neighborhood CIP Projects	\$24,000,000
Nonprofit Assistance <sup>1</sup>	\$13,000,000
Broadband Expansion <sup>2</sup>	\$5,000,000
<b>Total</b>	<b>\$154,100,000</b>

<sup>1</sup>Includes \$800,000 previously appropriated by Council to continue eviction mitigation services

<sup>2</sup>\$6M previously appropriated for Broadband Expansion - actual cost was \$5 million - remaining \$1 million re-allocated to Neighborhood CIP projects

To date, Council has appropriated \$6.8 million of SLFRF funds to fund eligible government services and authorized the expenditure of \$6.8 million of previously appropriated funds for:

- Regional broadband (\$6 million), and
- Eviction mitigation efforts (\$800K)

An ordinance to appropriate the remaining \$147.3 million of SLFRF funds will accompany the budget ordinances. The FY 2023 Operating Budget Ordinance will appropriate \$3.45 million of SLFRF related budget savings for the Continuity of Services and the FY 2023 Capital Budget Ordinance will appropriate \$56 million of SLFRF budget savings for Neighborhood CIP Projects (\$24 million) and the Downtown Floodwall Project (\$32 million). The table below identifies the CIP projects in the Proposed FY 2023 Budget that will be supported with SLFRF funds and the page numbers in the budget document where details of each project are located.

### ***CIP Projects in the Proposed FY 2023 Budget Supported with SLFRF Funds***

<b>Project</b>	<b>Budget Page Number</b>
Construct a Downtown Flood Wall	885
Transform Northside Park	861
Transform Barraud Park	860
Improve 23rd Street Streetscapes	815
Improve and Maintain the Zoo	840
Construct Public Boat Ramp on Pretty Lake	852
Support Outdoor Athletic Field Lighting	859
Renovate Selden Market	792
Improve former Greenies site	791
Construct Wooden Fishing Pier at Granby Street Bridge	813
Provide Gap Financing for Affordable Housing Initiatives	829
Construct Calvary Cemetery Mausoleum	907
Improve Huntersville Park Site	858

Additionally, the following table outlines the projected appropriations timeline and methodology to fund the recommended SLFRF Investment Plan:

**Projected Appropriations Timeline - Recommended SLFRF Investment Plan**

Category	Previously Appropriated	FY 2023 Budget	FY 2024 Budget	Subsequent Budgets	Standalone Ordinance(s)	Total
Broadband Expansion <sup>1</sup>	\$5,000,000					\$5,000,000
Neighborhood CIP Projects <sup>1</sup>	\$1,000,000	\$23,000,000				\$24,000,000
Downtown Floodwall Project		\$32,000,000	\$32,000,000			\$64,000,000
Continuity of Services <sup>2</sup>		\$3,500,000	\$19,100,000	\$25,500,000		\$48,100,000
Nonprofit Assistance	\$800,000				\$12,200,000	\$13,000,000
<b>Total</b>	<b>\$6,800,000</b>	<b>\$58,500,000</b>	<b>\$51,100,000</b>	<b>\$25,500,000</b>	<b>\$12,200,000</b>	<b>\$154,100,000</b>

<sup>1</sup>\$6M previously appropriated for Broadband Expansion - actual cost was \$5 million - remaining \$1 million re-allocated to Neighborhood CIP projects

<sup>2</sup>Includes \$800,000 previously appropriated by Council to continue eviction mitigation services

<sup>3</sup>Ordinances to authorize expenditures of Nonprofit Assistance Funds will be brought to Council as specific uses are identified.

Although spending for the Downtown Floodwall Project may occur in FY 2025 and beyond, appropriating the funding in FY 2023 and FY 2024 allows the city to fund any pre-development costs, and signals the city’s commitment to the Army Corp of Engineers - our partners on the project.

Most of our SLFRF supported projects will be reflected in the City’s Budget. Residents and stakeholders are familiar with the city’s budget data and reporting made available to the public during the annual budget process. They will be able to see the funding and track spending within the familiar tools already made available during the budget process. This includes the city’s budget document, open data portal, and CIP dashboard. Staff will work to clearly communicate when a project is supported by SLFRF.

Our next steps will occur in conjunction with the adoption of the FY 2023 Budget scheduled for City Council’s May 10<sup>th</sup> formal session. The following ordinances related to State and Local Fiscal Recovery Funds (SLFRF) will be on the docket:

1. Ordinance to appropriate \$147.3 million in State and Local Fiscal Recovery Funds under the revenue loss provision eligible use
2. Operating Budget ordinance - provides authorization for expenditure of \$3.5 million to support continuity of services
3. Capital Improvement Plan (CIP) ordinance – provides authorization for the expenditure of \$56 million for neighborhood CIP projects and planned CIP projects