



RE: **ARP Funding Recommendation**
TO: Mayor Taylor and Members of Ann Arbor City Council
CC: Milton Dohoney, Interim City Administrator; Marti Praschan, CFO; Sara Higgins, Strategic Planning Coordinator; Stephen Postema, City Attorney
FROM: John Fournier, Assistant City Administrator
DATE: 11/04/21

This memo is provided in response to requests from members of Council to understand why specific projects were included in the City Administrator's preliminary recommendation of projects to be considered for the City's ARP funding.

In prioritizing recommendations for use of these funds, we favored proposals that:

1. Met the requirements of the ARP interim rule use guidelines;
2. Are likely to be completely spent by the end of 2026;
3. Solved an important public policy priority of the City Council;
4. Provided an opportunity for the City to pursue new or transformative initiatives;
5. Have a magnifying effect on city resources in that they free up funds from other sources and allow us to accelerate investment in other critical city programs or infrastructure.

Additionally, given the historic nature of this funding from the federal government, and the opportunity it represents to make needed investments in our community, it is staff's recommendation that members of the public should be able to weigh in on the final selection of projects and initiatives. Notably, Washtenaw County conducted ten town hall meetings over the course of a month, created an online survey, and dealt with the allocation of these funds over several board meetings. We recommend that the City carry out an outreach campaign of similar effect that is scaled to the size of our community, and the Council has so directed that such an engagement campaign take place.

Understanding ARPA and the Federal Rule

The use of these funds is ultimately governed by the American Rescue Plan Act of 2021 and the federal rule that was published by the Department of Treasury in the spring of 2021. The allowed uses of funds under the law and the rule to include the following:

- A. To respond to the public health emergency or its negative economic impacts, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality;
- B. To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers;
- C. 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 full fiscal year prior to the emergency; and
- D. To make necessary investments in water, sewer, or broadband infrastructure.

In addition, Congress clarified in Sections 602(c)(2)(B) and 603(c)(2) that these eligible uses do not include, and thus funds may not be used for, depositing funds into any pension fund. The funds may also not be held permanently in a reserve fund.

The interim rule contains a specific method for calculating the reduction in revenue related to the pandemic. The CFO and finance staff calculated the amount of these funds to be \$18,376,457, which means this amount of funding can be used under the federal rules for any general governmental purpose. The remaining funds, \$5,806,173, may be used to respond to the public health emergency



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or its negative impacts, on premium pay for essential workers, and to make necessary investments in water, sewer, or broadband infrastructure. It is important to note that the interim rule states that the eligible uses should be interpreted to provide substantial flexibility for each government to meet local needs, and that the intent of the funding is to both allow municipalities to pursue needed investments in health and economic aid, and also to provide funding for general governmental uses. The City Council should bear this in mind as it directs the final allocation of these funds.

Policy Direction of the Council

It has been indicated that part of the prioritization of projects in the preliminary recommendation was based on Council's prior stated policy objectives. Some members of Council have asked for more details on which resolutions or directives were used to determine these priorities. Generally speaking, the staff considered Council's directions to implement the A2 Zero plan ([Resolution R-20-138](#)), to pursue affordable housing ([Resolution R-19-138](#); [Resolution R-19-527](#); [Resolution R-20-058](#)), to implement a Vision Zero strategy to improve pedestrian safety ([Resolution R-17-422](#); [Resolution R-20-225](#); [Resolution R-21-12](#)), and to plan and implement an unarmed policing initiative ([Resolution R-21-129](#)) as among the highest need directives in terms of financial impact that the Council has provided to staff.

Additionally, it is helpful to reference the city's priority-based budgeting framework and the priority matrix that was developed through that process. The Council directed the implementation of a priority-based budgeting program through [Resolution R-19-270](#), and the associated priority matrix was included in the [FY21-22 budget document \(referenced on page 44\)](#), approved through [Resolution R-21-174](#). This matrix describes the type of government activity that staff should prioritize when making budget recommendations. Many of the directives in the priority matrix are broad or not directly applicable to the prioritization of ARP funds, for instance, "Deliver exceptional services in a transparent manner to the public," "Strengthen human capital by recruiting, developing, and retaining exceptional City staff" or "Establish and sufficiently enforce laws and regulations to ensure the community is safe, clean, engaged, and healthy."

There is clear direction in the priority matrix to pursue economic development opportunities, however prior Council resolutions (noted above) have directed city staff to develop any developable city-owned parcels into affordable housing, and so we have interpreted this guidance as being adjunct to the city's affordable housing goals. The priority matrix also directs staff to "Support a culture of innovation, including 'Smart City' solutions," and the ARP funding is eligible to be spent on broadband infrastructure. However, IT staff have been quite successful at seeking external grant dollars to support the city's growing fiber optic system and they report that they are likely at capacity with currently committed projects on this front for the next few years.

Other directives in the priority matrix are more specific, align clearly with prior Council directives, and align with allowed uses under the ARP Act and final rule. Organized by policy area, they are:

A2 Zero Plan

- Minimize risk to public health and property from manmade and natural hazards.



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- Improve access to and increase use of renewable energy by all members of our community.
- Reduce carbon consumption, carbon emissions, and reduce reliance upon fossil fuels to achieve goal of city-wide carbon neutrality.
- Reduce new and existing buildings' energy use, carbon impact, and construction waste while respecting community context.

Affordable Housing

- Encourage a pattern of diverse development that maintains our unique sense of place, preserves our natural systems, and strengthens our neighborhoods, corridors, and downtown.
- Provide high quality, safe, efficient, and inclusionary housing choices to meet the current and future needs of our community, particularly for homeless and low-income households.
- Provide services that meet basic human needs of impoverished and disenfranchised residents to maximize the health and well-being of the community.

Vision Zero

- Instill a sense of shared responsibility for personal safety and focus on involving and engaging the community in identifying and addressing concerns.
- Improve the quality of the transportation and utility infrastructure across the city and region.
- Provide for a well-maintained transportation network that supports and encourages safe, comfortable, and efficient movement of people and goods throughout the city and region.
- Plan for and manage constructed and natural infrastructure systems to meet the current and future needs of our community.

Community Policing/Unarmed Police Response

- Instill a sense of shared responsibility for personal safety and focus on involving and engaging the community in identifying and addressing concerns.

The State of Michigan approved new lead and copper rule changes in 2018 that require water utilities to identify all addresses where there are publicly or privately owned lead or galvanized service lines that are now or were at some point connected to lead parts and replace them. There is also direction in the priority matrix on this issue:

- Manage pollutants in our air and water and threats to our ecological balance to ensure resilient systems including safe drinking water and healthy natural areas.

Finally, the priority matrix directs staff to "Integrate external engagement into City processes," which staff recommended, and Council directed, to be done with the ARP funds through [Resolution R-21-396](#).



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Council should consult the priority matrix and note any areas that they feel should be addressed in the final ARP recommendation that were not addressed in the preliminary recommendation provided on October 1st.

Exploring the Basis for the Preliminary Recommendations

The [preliminary recommendation provided to Council on October 1st](#) included \$41 million in projects for Council’s consideration, with the recommendation that the programs be reduced to \$24.2 million after a robust public engagement process and further deliberation from the Council. Members of Council have asked for further analysis on the basis for each recommendation, and so provided below is a table detailing the specific provision within the ARP federal rule that the recommendation is eligible under, any related Council resolutions that provide policy direction related to the recommendation, and whether the recommendation would fall under the direction outlined in the priority matrix provided through the City’s priority based budgeting initiative.

Project	Eligibility under the federal rule	Related Council direction	Reference to the Priority Matrix
Galvanized Pipe Replacement	Investments in water infrastructure, as described beginning on page 62 of the interim rule. Specifically, the rule states “Treasury encourages recipients to consider projects to replace lead service lines,” on page 67.	While the Council has never approved a general policy statement directing that this program be prioritized, we are required to prioritize it under state law and the Council has allocated funds and approved contracts to complete the work, most recently Resolution R-21-039 .	The priority matrix directs the City to: Manage pollutants in our air and water and threats to our ecological balance to ensure resilient systems including safe drinking water and healthy natural areas.
Miller-Catherine Bike Facility	Provision of general government services, including infrastructure, as described on page 60 of the interim rule.	This bike facility is recommended to be completed in the City’s recently Council-approved “A2 Moving Together Master Plan” through Resolution R-21-012 .	As referenced above, the City’s priority matrix directs at several points for transportation safety to be a priority issue for the organization.
Fire Station 4 (Net zero fire station)	Provision of general government services, including infrastructure and with the specific mention of fire	Resolution R-17-145 directed staff to pursue energy efficiency upgrades at several specifically listed city facilities,	As referenced above, the City’s priority matrix gives clear direction to pursue projects that improve energy efficiency of



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	services, as described on page 60 of the interim rule.	including Fire Station 4. Resolution R-21-111 directed staff to begin work on replacing Fire Station 4. In addition, the A2 Zero plan, adopted by Resolution R-20-138 , directs staff to improve the energy efficiency of government buildings.	city buildings, and reduce carbon emissions in the community.
Solar on City Facilities	Provision of general government services, including infrastructure, as described on page 60 of the interim rule. Also, the rule specifically states that “projects eligible under DWSRF and ARPA may reduce energy required to treat drinking water,” and “to reduce the energy consumption of public water treatment facilities,” on pages 67 and 68. Roughly 40% of the proposed solar in this project is on water related facilities.	Resolution R-17-145 directed staff to pursue energy efficiency upgrades at several specifically listed city facilities, including many that are proposed to be included in this program. In addition, the A2 Zero plan, adopted by Resolution R-20-138 , directs staff to improve the energy efficiency of government buildings.	As referenced above, the City’s priority matrix gives clear direction to pursue projects that improve energy efficiency of city buildings, and reduce carbon emissions in the community.
Vision Zero Plan Implementation	Provision of general government services, including infrastructure, as described on page 60 of the interim rule.	The Council has directed the implementation of a Vision Zero plan through resolutions Resolution R-17-422 ; Resolution R-20-225 ; and Resolution R-21-12 .	As referenced above, the City’s priority matrix gives clear direction to prioritize projects related to pedestrian safety.
Community Policing / Unarmed Response	Provision of general government services, including the specific mention of police	The City Council has given direction to implement an unarmed policing	Through the priority matrix, the City Council has given direction to prioritize



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	services, as described on page 60 of the interim rule. In addition, the rule specifically authorizes the use of funds on “Evidence based community violence intervention programs,” as described on page 23 of the interim rule.	initiative through Resolution R-21-129 .	projects that instill a sense of shared responsibility for personal safety and focus on involving and engaging the community in identifying and addressing concerns.
Supportive Housing for Persons Experiencing Homelessness	Providing assistance to households as described on pages 33 and 39 of the interim rule. Specifically, the rule says “Eligible services include... Services to address homelessness such as supportive housing.”	The City Council has provided general direction to pursue affordable housing through Resolution R-19-138 ; Resolution R-19-527 ; and Resolution R-20-058 .	Through the priority matrix, the City Council has provided direction for staff to prioritize affordable housing, including specific housing options for the homeless.
Property Acquisition for Affordable Housing	Building stronger communities through investments in neighborhoods and housing as described on page 39, specifically “Eligible services include...Affordable housing development to increase the supply of affordable and high-quality living units.”	The City Council has provided general direction to pursue affordable housing through Resolution R-19-138 ; Resolution R-19-527 (which provides specific direction to evaluate the acquisition of 2857 Packard); and Resolution R-20-058 .	Through the priority matrix, the City Council has provided direction for staff to prioritize affordable housing.
Election Center	Provision of general government services, including infrastructure, as described on page 60 of the interim rule. The rule further states, on page 13, that “Other response and adaptation costs include capital	The City Council has not provided policy direction on this issue, it represents a new initiative recommended by the staff. It is worth noting that the City’s Legislative Policy Agenda has directed staff in the past to	The City Council has not provided policy direction on this issue through the priority matrix.



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	<p>investments in public facilities to meet pandemic operational needs, such as...adaptations to public buildings to meet implement COVID-19 mitigation tactics.” The transition of so many voters to the permanent absentee ballot list is an adaptation to the pandemic related to mitigating the spread of the disease.</p>	<p>pursue changes in state law that promote the proliferation of absentee balloting, and as those policy changes have been adopted the need for more extensive city facilities to accommodate the physical space requirements of these changes has increased. The current legislative policy agenda was adopted by Council through Resolution R-21-181, and the immediately prior version was adopted through Resolution R-19-214. It should also be noted that the administration of fair and free elections is a critical service and foundational activity of our democratic government and therefore it may be appropriate to assume that initiatives directed toward this purpose might benefit from Council’s existing commitment to upholding our democratic institutions and processes even in the absence of a specific endorsement or direction.</p>	
<p>Universal Basic Income Pilot</p>	<p>Providing assistance to households, as</p>	<p>The City Council has not provided specific</p>	<p>The City Council, through the city’s</p>



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	described on page 33 of the interim rule.	policy direction on this topic, it represents a new initiative recommended by the staff.	priority matrix, has directed staff to prioritize services that meet basic human needs of impoverished and disenfranchised residents to maximize the health and well-being of the community.
Coordinated Funding Support	Assistance to nonprofits that responds to the negative economic impacts of the pandemic, as detailed on page 141 of the rule. Additionally, the rule details a long-list of nonprofit supported activities that qualify under the act on page 30 of the interim rule.	The City Council, through its annual budget, directs funds to the Coordinated Funding program to support local non-profit agencies that provide important human services to the community, most recently with Resolution R-21-202 which states, in part, "Ann Arbor City Council is committed to removing barriers for nonprofits providing essential services to members of our community in need."	The City Council, through the city's priority matrix, has directed staff to prioritize services that meet basic human needs of impoverished and disenfranchised residents to maximize the health and well-being of the community.

Conclusion

Each of the projects provided to Council in the preliminary recommendation is allowed under the federal law and rule that dictate the use of ARP funds. With the exception of the UBI Pilot, each project benefits from prior related Council direction on the issue, and with the exception of the Election Center each project would be supported by specific provisions of the City's priority matrix from the priority based budgeting project.

It is recommended that the Council consider this only a preliminary recommendation, to be amended through public engagement and further discussion and action by the Council. The final recommendation will be directed by the actions of Council and staff will work to its best abilities to implement the projects and initiatives endorsed in that final document.