

# Newberg ARPA Funds

A white paper defining the problem and laying out a path for what must be done.

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## **Executive Summary**

The 117<sup>th</sup> US Congress approved the American Rescue Plan Act (ARPA) of 2021 and it became law on 3/11/2021. The city of Newberg received its initial distribution of \$2.65M on August 23, 2021, and the funds are currently stored in the city's Local Government Investment Pool account in an interest bearing account. At this time, we have not been notified about the timing on the arrival of the funds from the federal government.

The City has been slow to react to the arrival of these funds and some reporting deadlines have already passed with no activity. Part of this has been caused by leadership changes, part by a lack of structure. This document addresses the latter issue. In summary, this white paper delineates a path forward to get projects moving quickly and just as importantly establish effective civic oversight and staff reporting.

## **The Problem**

The central problem facing the City of Newberg with regard to ARPA funds is that of operational tempo. The city needs to move rapidly to enact the following three steps:

1. Understand and internalize the rules around the federal compliance and reporting guidance (the latest edition was published by the Federal Department of the Treasury on November 5, 2021).
2. Select and classify projects according to the published guidance.
3. Initiate funds transfer with a designated reporting process and identify personnel.

These steps are not novel and other communities are already further along in the process than we are. These steps are part of the standard management planning cycle known as the OODA loop (Observe, Orient, Decide and then Act). This white paper addresses one and two from the list above and gets us on a path to three.

By following the process steps listed below we will be able to rapidly classify the projects that the community desires. The process of classification will use one system for ease of command and control both operationally and financially.

## The Rules of the American Rescue Plan

Here is a summary of the rules as issued by the Department of the Treasury on November 5, 2021. When reviewing these it is worth remembering that they should be backed by a close reading of the original document in its current form (see the published guidance for the American Rescue Plan, Version 2).

Funds may be used in a wide range of project types including infrastructure and other capital projects.

There are no listed earmark or matching rules although the reporting rules do place an administrative burden on the organization. Administrative support can be hired to accomplish these tasks.

Any real property purchased must be used for the intended purposes of this award. The primary period for projects runs to December 31, 2024, however, incurred financial obligations may run until December 31, 2026. At this time unspent funds must be returned to the Treasury.

This is a critical point and is a clear call for us to act swiftly since we will need to return unused funds to the US Treasury. If we return unspent funds, we have failed our community.

Procurements must follow the CRF 200.317 – 200.327 standard for RFPs bids. In summary here are the rules of CRF 200.317-200.327:

Regardless of what our current procurement policy is, we must follow these federal guidelines (which are the same as Oregon's). In essence "sole source vendors" are best avoided due to the hurdle of regulatory justification.

The entity must have a written procedures manual for procurement following State law (for us that is ORS 279). The City of Newberg already has such a procurement manual. Specifically:

- **Micro-purchases:** \$10,000 or less can follow informal procurement methods set by entity.
- **Small purchases:** \$10,001 – \$149,999 requires price/rate quotes from 3 vendors, unless otherwise noted
- **Formal procurement (RFP):** \$150,000 and up require either sealed bids or request for proposals to be performed considering price as a factor
- **Noncompetitive procurement:**
  - Sole source vendors – must follow State guidelines (ORS 279)
  - Emergency procurements – must follow State guidelines (ORS 279)

We will need to document our processes and track each project for the quarterly reports.

Passthrough recipients (such as other agencies) are required to carry the same monitoring and reporting steps that we do. We need to formally assess each sub-recipient's capabilities to succeed in its program and its ability to meet the reporting requirements (risk assessment). This should be kept in writing as evidence that we have followed the listed steps and for records retention purposes.

The record retention (notwithstanding our normal retention schedules) is five years for ARPA projects (see p.10 of the guide). It would be best if ARPA data is segregated from all other physical and ledger operations via a discrete storage location and coding scheme.

There will be a yearly federal audit as the amount of funding received by Newberg is > \$750,000 (see p.11 of the guide).

The City of Newberg will need to file two types of reports during the ARPA period. These include:

- An interim report on initial expenditures for the period up to 60 days after receipt of the funds.
- An annual report based upon a set schedule (see page 16 of the guidance).

The city will not need to file quarterly reports due to the size of its federal disbursement - the threshold for reporting quarterly is set to \$10M for cities with less than 250,000 population.

ARPA spending reports break out into these elements:

(a) Name, ID number created by us, expenditure category (EC) from the code list, project description (50 to a maximum of 250 words).

(b) Expenditures to date.

(c) Status:

- Not started.
- Completed < 50%.
- Completed 50% or more.
- Completed.

(d) Not applicable to our size of town.

(e) Project demographic distribution if applicable (see page 17 and 18 of the guidance).

This item is triggered if:

The award impacts a geographical area in HUD qualified census tracts.

The beneficiaries are at < 60% of the median income.

The beneficiaries have at least 25% within the class of persons living below the current federal poverty line (in 2021 for a family of 4 this is \$26,500).

Note there is no specific portion / set aside for (d) type projects but if we do any projects matching this criteria we will need to report them under this heading.

(f) Additionally, we will need to report specific data for every contract, grant, loan, transfer or payment > \$50,000. This is fairly burdensome, and this alone triggers a need for administrative support.

(g) & (h) More data to follow from the federal government.

(i) Lastly many of the expenditure categories have their own reporting requirement listed (see p.19 to p.21).

Agencies with a base population of 250,000 or more have additional reporting requirements - these do not apply to us.

## **Solution 1 – Clerical support**

First, having consulted with Mayor Rogers, we intend to retain the services of an entry level clerical assistant who would be invaluable to help with the reporting burden. Falling into the lower population threshold and facing a disbursement of less than \$10M, staff feel that this contract employee would only need to work 20 hours per week to ensure full compliance. This will not add a long-term burden to fund 31 as the individual will be a contractor with a cap on compensation similar to our Office Assistant II pay scale or \$30 per hour for 20 billable hours per week. A maximum of \$32,000 per annum will be set aside for this purpose and each contract set for a period of one year.

If we have a period of low operational tempo this clerical assistant can help with other tasks such as data entry for budget season or general filing.

## **Solution 2 – Timeline and selection process**

To make up for lost time the following process map can be used to rapidly select projects from the many that will be on display.

First, the City Manager's office already has a list of potential projects collected by my predecessor and more can be added. All project sponsors will vet their own suggestions using the **ARPA submission format** found in appendix A. This will put the items into the correct ARPA EC categories.

During December and January, Economic Health Manager, Shannon Buckmaster will be conducting surveys of the business community to obtain feedback on ARPA desires and as a follow up suggestion for projects that may not be known to the budget committee. The second round of ARPA funding will be dedicated to these projects and others that leaders in the business community may suggest.

Projects submitted up to December 1<sup>st</sup> can be assessed by the digital dot matrix method at the December 15 meeting, see the **digital dot matrix** method in appendix B.

There will be follow up rounds of projects once we are able to observe how well our initial batch are doing and see that our spending is on track.

Here are the key dates for the sortation and selection process:

### **Now to November 29**

The City and civic groups promote the ARPA survey and explain that this tool allows us to capture the names of interested business owners.

### **Now to December 6**

The first wave of staff and budget committee suggested projects are vetted by the sponsor using the **ARPA submission format** (see appendix A).

#### **December 15**

Budget meeting selects the winning projects using the **digital dot matrix** method.

#### **January 3, 2022**

Business ARPA survey concludes. Emergent themes are established, and the data is shared with the Budget committee. Participants are invited to submit projects.

#### **February 7**

Closing date for the second round of ARPA project suggestions. Once again, sponsors vet their own projects with the **ARPA submission format**.

#### **February 16 budget meeting.**

Budget meeting selects the winning projects using the **digital dot matrix** method.

## **Solution 3 – Coding**

The administrative challenges of coding invoices, RFPs and federal reports will be simplified by using a unitary scheme that will have embedded meta-data for all documents and tracking tools.

Due to the primitive nature of our financial software platform **Springbrook**, this was a challenging problem for the City Manager Pro Tem and Finance Manager to solve. In the end we were able to derive a coding scheme that combined these requirements:

- The federal requirement (a) the EC code.
- The required **Springbrook** account data.
- An accession number to separate each project from similar projects.

Here is the coding scheme that should be used for all documents, reports, RFPs and federal reports:

**99** – **XXXX** – **YYYZZZ**

**99** = the newly established fund code for all things ARPA.

**XXXX** = These digits are reserved for the federal EC categories. For example, **small business economic assistance (general)** EC code 2.9, p.30 of the federal guidance would be represented like this:

**99** – **2900** –

**YYYZZZ** = The trailing digits are used to represent the type of expenditure and the project number. Putting it all together here is an example of the 1<sup>st</sup> **small business economic assistance (general)** project that the city has theoretically agreed to undertake:

99 – 2900 – 523001

To put it another way:

ARPA – EC CODE 2.9 – EXPENDITURE CODE\* 1ST PROJECT OF THIS TYPE

\* This one happens to mean supplies and equipment.

## Solution 4 – Reporting documentation

The report code documents will be titled the same way with a version number that corresponds to the relevant report.

The tacking control sheet or dbase tracks when this deliverable has been shipped. If it's a flat xlsx array it could be like this so as to be easy to index (fast sort by EC category):

Project Code	Project Title	Target \$	2022	2023
99 – 2900 – 523001	New computer equipment for Mr. Jones store	\$14,000	Yes	Pending

## Conclusion

Time is of the essence. By moving quickly and following these basic steps we can move to get our ARPA projects underway, while providing the controls and reporting oversight we need. Most significantly we will not let our fellow residents down by avoiding the risk of handing back funds to the federal government.

## Appendix A – ARPA Submission Format

### Project

Enter the project's name.

### Justification

List your justifications here and address the following points where relevant. Try to explain what the issue is. Naturally it must be related to attempts to “respond to the economic and public health impacts of COVID19”.

- How it addresses one of these issues specifically.
- Why it needs to be done.
- What is included in the cost.
- An estimate (if known) of how long it might take to implement.

### Project Sustainability

List your explanations here around these issues.

- How will the project bring long lasting economic recovery benefits to Newberg?
- Are local or minority vendors involved?
- Please describe its sustainability if applicable.

### ARPA expenditure categories (EC):

Code the correct EC from the ARPA list, p.30 – p.31 of the compliance and reporting guidelines. The EC table is found in this document as Appendix C.



## Appendix B – Digital Dot Matrix Method

To ensure high ethics and fairness to all concerned, a double-blind process will be put into place at the meetings of the budget committee. Budget committee members will be given the opportunity periodically to weigh in on what project should be selected for financing.

Each committee member present will have an opportunity to speak for 5 minutes on the merits or disadvantages of the projects under debate.

Each member present will be able to support 60% of the items current project list via digital voting.

Items can be proposed again if they do not make the cut the first time.

A double-blind digital process will be used.

The results of each sortation will be revealed at once.

The scoring will be retained for Oregon meeting law and retention purposes.

## Appendix C – Federal ARPA EC Coding

<b>1: Public Health</b>	
1.1	COVID-19 Vaccination ^
1.2	COVID-19 Testing ^
1.3	COVID-19 Contact Tracing
1.4	Prevention in Congregate Settings (Nursing Homes, Prisons/Jails, Dense Work Sites, Schools, etc.)*
1.5	Personal Protective Equipment
1.6	Medical Expenses (including Alternative Care Facilities)
1.7	Capital Investments or Physical Plant Changes to Public Facilities that respond to the COVID-19 public health emergency
1.8	Other COVID-19 Public Health Expenses (including Communications, Enforcement, Isolation/Quarantine)
1.9	Payroll Costs for Public Health, Safety, and Other Public Sector Staff Responding to COVID-19
1.10	Mental Health Services*
1.11	Substance Use Services*
1.12	Other Public Health Services
<b>2: Negative Economic Impacts</b>	
2.1	Household Assistance: Food Programs* ^
2.2	Household Assistance: Rent, Mortgage, and Utility Aid* ^
2.3	Household Assistance: Cash Transfers* ^
2.4	Household Assistance: Internet Access Programs* ^
2.5	Household Assistance: Eviction Prevention* ^
2.6	Unemployment Benefits or Cash Assistance to Unemployed Workers*
2.7	Job Training Assistance (e.g., Sectoral job-training, Subsidized Employment, Employment Supports or Incentives)* ^
2.8	Contributions to UI Trust Funds
2.9	Small Business Economic Assistance (General)* ^
2.10	Aid to Nonprofit Organizations*
2.11	Aid to Tourism, Travel, or Hospitality
2.12	Aid to Other Impacted Industries
2.13	Other Economic Support* ^
2.14	Rehiring Public Sector Staff
<b>3: Services to Disproportionately Impacted Communities</b>	
3.1	Education Assistance: Early Learning* ^
3.2	Education Assistance: Aid to High-Poverty Districts ^
3.3	Education Assistance: Academic Services* ^
3.4	Education Assistance: Social, Emotional, and Mental Health Services* ^
3.5	Education Assistance: Other* ^
3.6	Healthy Childhood Environments: Child Care* ^
3.7	Healthy Childhood Environments: Home Visiting* ^
3.8	Healthy Childhood Environments: Services to Foster Youth or Families Involved in Child Welfare System* ^

3.9	Healthy Childhood Environments: Other* ^
3.10	Housing Support: Affordable Housing* ^
3.11	Housing Support: Services for Unhoused Persons* ^
3.12	Housing Support: Other Housing Assistance* ^
3.13	Social Determinants of Health: Other* ^
3.14	Social Determinants of Health: Community Health Workers or Benefits Navigators* ^
3.15	Social Determinants of Health: Lead Remediation ^
3.16	Social Determinants of Health: Community Violence Interventions* ^
<b>4: Premium Pay</b>	
4.1	Public Sector Employees
4.2	Private Sector: Grants to Other Employers
<b>5: Infrastructure<sup>24</sup></b>	
5.1	Clean Water: Centralized Wastewater Treatment
5.2	Clean Water: Centralized Wastewater Collection and Conveyance
5.3	Clean Water: Decentralized Wastewater
5.4	Clean Water: Combined Sewer Overflows
5.5	Clean Water: Other Sewer Infrastructure
5.6	Clean Water: Stormwater
5.7	Clean Water: Energy Conservation
5.8	Clean Water: Water Conservation
5.9	Clean Water: Nonpoint Source
5.10	Drinking water: Treatment
5.11	Drinking water: Transmission & Distribution
5.12	Drinking water: Transmission & Distribution: Lead Remediation
5.13	Drinking water: Source
5.14	Drinking water: Storage
5.15	Drinking water: Other water infrastructure
5.16	Broadband: "Last Mile" projects
5.17	Broadband: Other projects
<b>6: Revenue Replacement</b>	
6.1	Provision of Government Services
<b>7: Administrative</b>	
7.1	Administrative Expenses
7.2	Evaluation and Data Analysis
7.3	Transfers to Other Units of Government
7.4	Transfers to Non-entitlement Units (States and territories only)

\*Denotes areas where recipients must identify the amount of the total funds that are allocated to evidence-based interventions (see Use of Evidence section above for details)

^Denotes areas where recipients must report on whether projects are primarily serving disadvantaged communities (see Project Demographic Distribution section above for details)