



AGENCY: City Council
MEETING DATE: September 23, 2024
DEPARTMENT: Administration
PRESENTED BY: Isaac Whippy & Sarah McCormick
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AGENDA ITEM SUMMARY

TITLE:

Receive Update on Municipal Broadband and Provide Staff Direction on the Use of American Rescue Plan Act (ARPA) Funding Recommendations

BACKGROUND:

Broadband Update:

In 2020, Mayor Norvell appointed the Broadband Ad Hoc Committee (initially Morsell-Haye, Albin-Smith; followed by Albin-Smith, Rafanan) to develop a better understanding of how the city might improve internet connectivity for our community.

In 2021, Council adopted the Fort Bragg Digital Infrastructure Plan (2021), which included desktop design and estimated build costs for a citywide, underground, Fiber-to-the-Premise (FTTP) broadband deployment project.

Also in 2021, Governor Newsom signed historic broadband legislation into law to advance the statewide broadband plan with expanded infrastructure prioritizing unserved and underserved locations through a \$6 billion multi-year investment, including:

- \$3.25 billion in a state-owned middle mile network;
- \$2 billion to setup last mile broadband connections;
- \$750 million to create a loan loss reserve fund; and
- \$50 million for planning and technical assistance

The City has been actively participating in the rollout of this extraordinary investment, which is being administered by the California Public Utilities Commission (CPUC). For example, when the state budget necessitated cuts to the open access, middle mile broadband infrastructure (MMBI), and Fort Bragg found it was being dropped from the project, the City intervened to ensure our community would gain access to MMBI by partnering with the state to pay our pro-rata share.

The City of Fort Bragg has been awarded \$479,000 through the Local Agency Technical Assistance (LATA) program to advance our desktop design and cost estimates to a project level detail. Additionally, on September 12, 2024, the City received \$10.3 million in Federal Funding Account (FFA) program grant funds to construct a last-mile network that will serve as a municipal broadband utility. Furthermore, Representative Huffman selected the City's broadband project for congressional directed spending, commonly referred to as "earmarks." The project achieved the highest ranking among the fifteen projects submitted

by Representative Huffman to the Appropriations Committee and has been approved for an additional \$1 million in federal funding.

Currently, the total capital expenditure for the municipal broadband project is estimated at \$14.6 million, leaving a funding gap of \$3.3 million. The financial breakdown is as follows:

Total Cost Municipal Broadband	\$14.6 million
FFA committed Funding	(\$10.3 million)
Huffman congressional spending	(\$1 million)
<i>Funding Needed</i>	<i>\$3.3 million</i>

Staff is requesting direction from the City Council regarding whether to continue dedicating ARPA funds to the broadband project or to consider alternative uses of the remaining funds.

Several alternative funding sources could be explored to cover the \$3.3 million shortfall, including interfund loans from the Enterprise Funds or the General Fund, or pursuing debt financing. The Water Enterprise Fund currently has a balance of \$4.5 million, the General Fund \$4.5 million, and the Sewer Enterprise Fund has \$4.1 million, both of which could potentially be utilized to bridge the funding gap for the broadband project.

American Rescue Plan Act 2021 (ARPA) Update & Proposed Alternative uses of the Fund

On March 11, 2021, the American Rescue Plan Act 2021 (ARPA) was signed which launched the Coronavirus State and Local Fiscal Recovery Funds (SLFRF) to provide \$350 billion in nationwide emergency funding for state, municipalities, counties, tribes, and territories.

The United States Department of the Treasury published the Interim Final Rule (IFR) describing eligible and ineligible uses of funds (as well as other program provisions), sought feedback from the public on these program rules, and began to distribute funds. On January 6, 2022, the Treasury issued its Final Rule. The final rule took effect on April 1, 2022. The final rule delivers broader flexibility and greater simplicity in the program, responsive to feedback received during the comment process. The final rule provides state and local governments with increased flexibility to pursue a wider range of uses, as well as greater simplicity so governments can focus on responding to the crisis in their communities and maximizing the impact of their funds. Among other clarifications and changes, the final rule offers a standard allowance for revenue loss of up to \$10 million. Recipient agencies that select the standard allowance may use that amount, in many cases their full award, for general government services, with streamlined reporting requirements. The City of Fort Bragg allocation is \$1,744,162 in ARPA funding, and is

therefore eligible to use the standard allowance for the full amount of the City' s APRA allocation.

Allowed Uses of ARPA Funds under the Final Rule

The final rule delivers broader flexibility and greater simplicity in the program, responsive to feedback received during the comment process. The State and Local Fiscal Recovery Funds Program final rule provides additional clarity and flexibility for recipient governments, including:

1. Treasury has expanded the non-exhaustive list of uses those recipients can use to respond to COVID- 19 and its economic impacts - ensuring states and localities can adapt quickly and nimbly to changing public health and economic needs. This includes clarifying that recipients can use funds for certain capital expenditures to respond to public health and economic impacts and making services like childcare, early education, addressing learning loss, and affordable housing development available to all communities impacted by the pandemic.
2. Treasury has expanded support for public sector hiring and capacity, which is critical for the economic recovery and in maintaining vital public services for communities.
3. Treasury has streamlined options to provide premium pay for essential workers, who bear the greatest health risks because of their service in critical sectors.
4. Treasury has broadened eligible water, sewer, and broadband infrastructure projects - understanding the unique challenges facing each state and locality in delivering clean water and high- speed broadband to their communities.

In addition to these expansions, Treasury has greatly simplified the program for small localities - many of whom have received a historic federal investment in their communities through this program through the option to elect a standard allowance for revenue loss rather than calculating revenue loss through the full formula.

Among other clarifications and changes, the final rule offers a standard allowance for revenue loss of up to \$10 million, allowing recipients to select between a standard amount of revenue loss or complete a full revenue loss calculation. Recipients that select the standard allowance may use that amount - in many cases their full award - for ' government services,' with streamlined reporting requirements. Recipients can use ARPA funds on government services up to the revenue loss amount, whether that be the standard allowance amount or the amount calculated amount as outlined in the final rule. " Government Services" generally include any service traditionally provided by a government unless the Treasury has stated otherwise. Some common examples, although not an exhaustive list, include the construction of schools and hospitals, road building and maintenance, and other infrastructure, health services, general government administration, staff, and administrative facilities, environmental remediation, provision of police, fire, and other public safety services and facilities (including the purchase of fire trucks and police vehicles).

Ineligible Uses of Funds

Section 35.7 of the Final Rule specifically prohibits the use of Fiscal Recovery Funds for deposit into any pension fund. In addition, ineligible uses of funds would include contributions into any rainy-day funds, financial reserves, or similar funds. These types of contributions would not address the response to the COVID-19 public health emergency, as they constitute savings for future spending needs. Other ineligible uses include payment of interest or principal on outstanding debt instruments, including fees or costs associated with the issuance of new debt; and satisfaction of any obligation arising under or pursuant to a settlement agreement, judgment, consent decree, or judicially confirmed debt restructuring plan. The purpose of the ARPA funds is to provide fiscal relief that will permit local governments to continue to respond to the COVID-19 public health emergency.

ANALYSIS:

The pandemic has highlighted existing vulnerabilities in areas such as housing, economic stability, and public health, making it essential to focus on initiatives that foster recovery and long-term resilience. By allocating ARPA funds, we aim to provide direct support to those most impacted, including expanding housing, enhancing local business assistance programs, and improving public infrastructure.

Housing initiatives is a top priority for the City, as the pandemic has worsened housing insecurity and increased homelessness. Re-dedicating funds to develop affordable housing, rehabilitate existing homes, and create new rental units will not only address immediate needs but also lay the groundwork for sustainable growth. Additionally, ARPA funding will support local businesses through grants and loans to help them recover from economic losses, create jobs, and strengthen Fort Bragg's economy.

1. Business Loans, Grants for Central Business District Programs \$800,000

To further bolster Fort Bragg's economic resilience, staff proposes prioritizing the Business Assistance Loan and Grant Program for the Central Business District. This program is vital for supporting small and medium-sized businesses, which are the cornerstone of our local economy. By offering financial resources, the program will help businesses make essential improvements, including fire sprinkler installations, exterior painting, signage upgrades, and revitalization of vacant buildings. These enhancements will not only improve safety and aesthetics in the downtown area but also attract investment and customers, ultimately fostering economic growth.

The success of the recent Community Development Block Grants (CDBG) business assistance program, which provided \$546,208 in loans to six local businesses, resulted in the retention or creation of thirteen jobs, and highlights the impact that such programs can have on the community. In a fast-paced, evolving economy, access to capital is often a critical factor in determining whether a business can thrive or fail. Entrepreneurs play a key role in driving innovation and growth, and this program will provide them with the financial tools they need to succeed.

The newly formed Economic Development Department is well-positioned to administer these funds, ensuring they are strategically deployed to promote downtown revitalization, job creation, and long-term economic sustainability. These aesthetic improvements and

assistance programs will strengthen Fort Bragg's Central Business District and support our local businesses.

Staff will bring forward specific grant/loan recommendations in the next quarter.

2. Housing Initiatives \$800,000

In response to the critical need for affordable and accessible housing, staff recommends re-dedicating a portion of ARPA funds to housing initiatives. The COVID-19 pandemic has exacerbated housing challenges, from increased homelessness to rising housing costs that have strained residents and displaced vulnerable populations. By reallocating ARPA funds, we can support a variety of housing programs aimed at stabilizing and expanding Fort Bragg's housing stock, including encouraging the development of vacant or underutilizing lots, workforce housing support grants, vacant building conversions, affordable housing development, rehabilitation of existing homes, and incentives for new accessory dwelling units (ADUs).

This strategic investment will address both immediate housing needs and promote long-term community resilience. By providing critical financial resources to developers, homeowners, and landlords, these initiatives will ensure safe, affordable housing options for low- and moderate-income families, essential workers, and individuals affected by the economic impacts of the pandemic. Redirecting ARPA funds to housing reflects our commitment to improving quality of life, fostering economic stability, and building a stronger, more inclusive community for all Fort Bragg residents.

3. Public Safety – Homeward Bound Project \$40,000

The Homeward Bound Project provides a compassionate and effective solution for individuals experiencing homelessness by helping them reunite with family or support networks in other locations, reducing homelessness in our community. Utilizing ARPA funding to support bus tickets for individuals to return home aligns with the core goals of ARPA, which aims to mitigate the economic and social impacts of the COVID-19 pandemic. By offering financial assistance for transportation, we can facilitate a safe, stable transition back to environments where individuals have access to family support, housing, or other resources that are unavailable locally. This use of ARPA funds addresses the immediate needs of vulnerable populations, helping to reduce the strain on local shelters and services while promoting long-term stability for those who are homeless. Funding for bus tickets through the Homeward Bound Project offers a cost-effective, humane solution to homelessness that aligns with broader efforts to promote public health, economic recovery, and community resilience.

4. Investment in Government Facility, Equipment, and/or IT \$100,000

To improve public access and streamline operations, Staff proposes a \$100,000 investment in government facilities and technology upgrades. This funding will focus on enhancing the City's digital infrastructure, making it easier for residents and businesses to interact with city services online. Key initiatives include the installation of public Wi-Fi at Town Hall and City

Hall, upgrading the City's website for online services to improve the user experience, and implementing an online booking system for city facility usage.

These technology enhancements will not only improve the efficiency of city operations but also enhance accessibility, and transparency for residents and visitors, ensuring they can access important services and information electronically. This investment aligns with the City's goal of modernizing government operations to better serve the community in the digital age.

RECOMMENDED ACTION(S):

Staff recommends that the City Council approve the proposed use of the City's American Rescue Plan Act (ARPA) funding and direct staff to explore alternative funding mechanisms for the Broadband project. Additionally, staff seeks any further direction from the Council as needed. Approval will authorize the appropriation of ARPA funds and the implementation of the projects, programs, and expenditures outlined in this staff report.

ALTERNATIVE ACTION(S):

Request for more information or provide Staff will alternative uses of ARPA Funds.

FISCAL IMPACT:

The City of Fort Bragg received a funding allocation of \$1.7 million in American Rescue Plan Act Funds and has chosen to take the standard allowance for the full amount of the allocation. The City received its first disbursement of half the allocated funding on July 9, 2021. The second half of the funds will be released under the second disbursement one year after the first disbursement. Funds for local governments must be "obligated by" December 31, 2024, and "expended" by December 23, 2026.

GREENHOUSE GAS EMISSIONS IMPACT:

N/A

IMPLEMENTATION/TIMEFRAMES:

Timeline and Next Steps for Fiscal Recovery Funds Implementation:

- October 2024: Develop specific program guidelines as approved above.
- October 2024: Incorporate ARPA Funding Programs into the Adopted Budget for Fiscal Year 2024/2025
- December 2024: Deadline to commit ARPA Funds.
- December 2026: Deadline to expend ARPA Funds.

ATTACHMENTS:

None.

NOTIFICATION:

Notify Me E-subscriber Lists: Economic Development Planning; Fort Bragg Downtown Businesses; Affordable Housing; Finance and Budgeting