



PAUL BRODEUR
Mayor

CITY OF MELROSE

OFFICE OF THE MAYOR

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MEMORANDUM

To: Melrose City Council
From: Mayor Paul Brodeur
Re: American Rescue Plan (ARPA) grant acceptance
Date: August 16, 2021

The Honorable City Council is hereby requested pursuant to the provisions of M.G.L. c. 44, § 53A to accept the American Rescue Plan Act (ARPA) grant in the amount of \$8,374,174 on behalf of the City of Melrose, per the Massachusetts Department of Revenue¹.

The City of Melrose is scheduled to receive a total of \$8,374,174 in federal ARPA grant dollars. This money has been allocated by the federal government in two ways: a direct grant to municipalities and another grant to counties. The direct grant to Melrose is \$2,932,394, and our reallocation through the Middlesex County Federal ARPA Assessment will be \$5,441,780.

ARPA direct grant funds will be disbursed in two equal tranches, with 50% provided at the end of FY 21 and the balance delivered approximately 12 months later. Melrose received the first half of our direct grant (\$1,466,197) in late June, and will receive the remainder by the end of FY22. We anticipate that the Middlesex County reallocation will also be released in two equal parts beginning in FY22.

All ARPA grant funds must be spent or encumbered by December 31, 2024.

What can ARPA grant funds be used for?

The U.S. Department of the Treasury has identified the following areas of allowable expenditures:

- a. **Spending to address public health and negative economic impacts of the COVID-19 pandemic.** This includes COVID-19 mitigation efforts, medical and behavioral health initiatives, and efforts to mitigate the economic harm of the pandemic to workers, households, small businesses, affected industries, and the public sector.
- b. **Premium pay for essential workers.** This is intended to provide additional support through one-time payments for low-wage workers who have faced the greatest health risks during the COVID-19 pandemic because of their employment in a critical service sector.
- c. **Revenue replacement.** Payments may be used to fund government services to the extent of revenue reductions from the pandemic. Eligibility for revenue replacement is determined by a federal formula.
- d. **Investments in water, sewer, and broadband infrastructure.** This includes projects that improve access to clean drinking water, support wastewater and stormwater infrastructure, and expand access to broadband internet.

¹ Guidance as it relates to accepting of the ARPA grant monies through MGL 44 §53A has been vetted through the Division of Local Services at the Department of Revenue.

Some examples of ARPA eligible expenses:

- Direct COVID-related costs (testing, contact tracing, etc.).
- Expenses to improve efficacy of public health or economic relief programs.
- Water and sewer infrastructure aligned to EPA project categories for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund.

Examples of what ARPA grant funds cannot be used for:

- Replenishing or funding a reserve account or stabilization fund.
- A deposit into a pension fund.
- Funding non-COVID-19 related operating budget expenses.

Once the grant is accepted, eligible ARPA expenses will be administered by the Mayor, with potential ARPA funded projects reviewed and accepted through a rigorous evaluation process in collaboration with the Chief Financial Officer/Auditor, department heads, and the Superintendent of Schools. This process is designed to provide the controls and due diligence necessary to withstand future scrutiny by the federal government.

In assessing potential uses for ARPA funds, the priority is to identify areas of greatest need and relevance to the City of Melrose. As a best practice, the funds will not be fully allocated in the first fiscal year. This will allow the City to respond should circumstances and priorities change given the uncertainty of the progress of the COVID-19 pandemic. To ensure transparency, the City Council will be provided regular updates on the planned uses of ARPA funds.

Unlike with the CARES Act Coronavirus Relief Fund, the Commonwealth will not make individual eligibility determinations regarding the use of ARPA funds for specific expenses. As the “prime recipient” of federal funds, each municipality is solely responsible for all aspects of administration and will be subject to a federal clawback provision associated with compliance failures². Therefore each project considered for ARPA funding will require the Auditor to make a determination of eligibility based on the terms of federal and state mandates and rules (awaiting the finalization of the Treasury’s Interim Final Rule³ sometime in September). In addition, detailed project information will be collected in advance to ensure compliance with federal reporting requirements⁴, which are significant and vary depending on the type of expenditure.

To ensure projects are thoroughly vetted and that compliance and reporting requirements are understood and adhered to according to the best information currently available from state and federal government agencies⁵, the City of Melrose has engaged an outside consultant from the accounting firm of Clifton Larson Allen, LLP (“CLA”). Like CARES Act funding, ARPA grant funds will be audited as part of the City’s annual single audit, reported to the Massachusetts Department of Revenue, and are subject to federal audit.

I look forward to the opportunity to answer any questions members of the Council may have regarding this grant acceptance, and will be joined by other members of our team, including our consultant from CLA, Hannah York.

² <https://www.mass.gov/doc/applying-for-coronavirus-local-fiscal-recovery-fund-clfrf-funding-0/download>

³ <https://home.treasury.gov/system/files/136/FRF-Interim-Final-Rule.pdf>

⁴ <https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf>

⁵ <https://www.mass.gov/doc/arpa-reporting-guidance-for-metropolitan-cities-and-counties/download>