



COVID-19 Financial Response

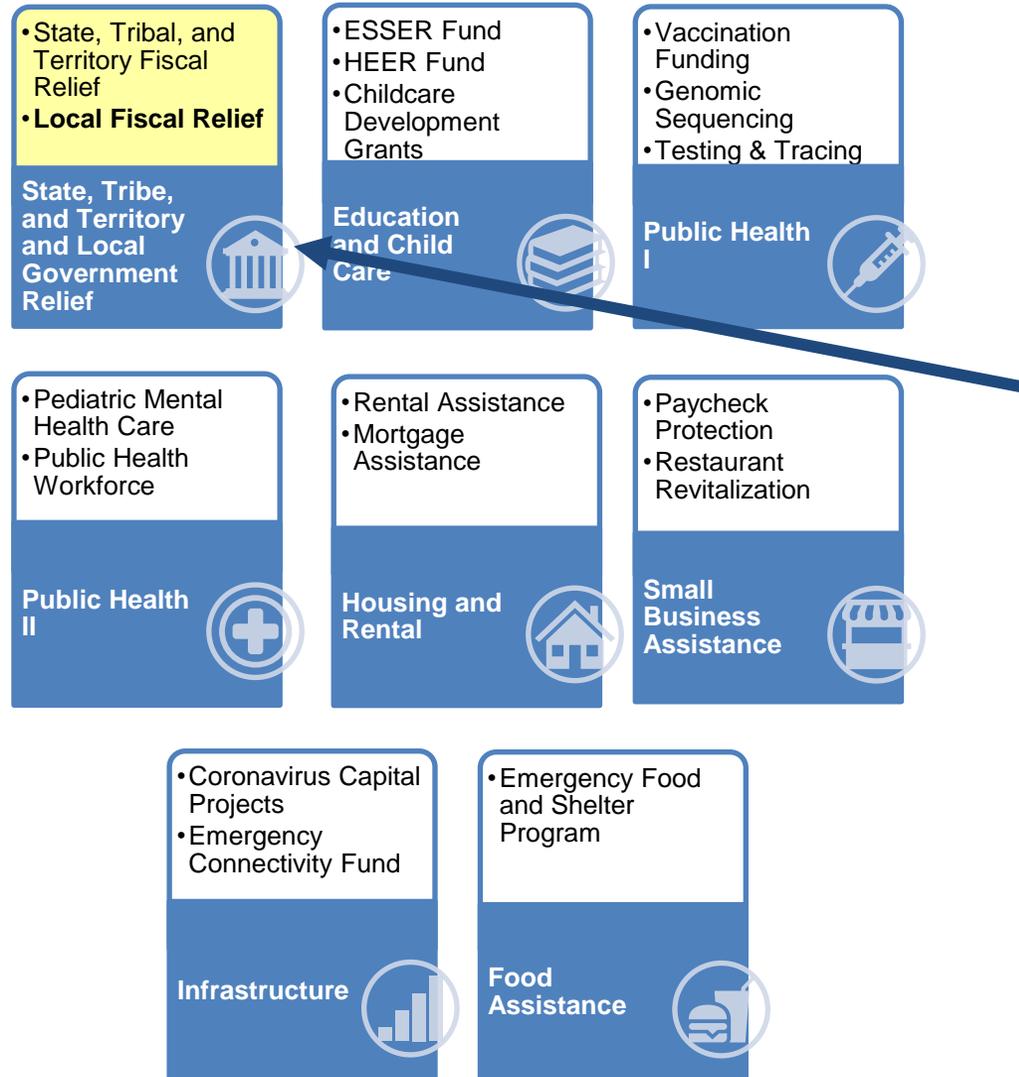
**Technical Assistance:
SLFRF - Calculating Revenue Replacement**

July 29, 2021

Agenda

1. Introductions
2. ARPA Background
3. Reporting Requirements
4. Calculating Revenue Loss

ARPA Background



- On March 11, 2021, President Joe Biden signed into law the \$1.9 trillion American Rescue Plan Act (ARPA) package
- The ARPA package includes **\$362 billion** in direct federal fiscal recovery aid for state and local governments through the **State & Local Fiscal Recovery Fund (SLFRF)**
- Outside of the SLFRF, ARPA also provides billions to education, public health, housing, small business, infrastructure, and food assistance (*graphic is not an exhaustive list of programs*)
 - Local governments may be able to apply for grants to access other ARPA-funded programs

SLFRF Overview – Eligible Uses



Support Public Health Response

- › **COVID-19 Mitigation & Containment:** vaccination programs, ventilation improvements in congregate or health care settings, contact tracing
- › **Medical Expenses:** care and services to address near-and longer-term needs
- › **Behavioral Healthcare:** mental health treatment, crisis intervention, substance misuse treatment
- › **Public Health & Safety Staff:** payroll & benefits



Replace Public Sector Revenue Loss

Use funds to provide government services to the extent of the reduction in revenue experienced due to the pandemic

- › Lost revenues may be used to **support general government services and infrastructure**



Address Negative Economic Impacts

- › **Workers & Families:** assistance to unemployed workers, job training, food, housing, survivor's benefits
- › **Small Business:** loans, grants, in-kind and technical assistance
- › **Public Sector:** rehire staff, replenish state unemployment insurance, economic relief programs
- › **Impacted Industries:** tourism, travel and hospitality, and other affected sectors



Water and Sewer Infrastructure

Make necessary investment to improve access to clean drinking water and invest in wastewater and stormwater infrastructure

- Eligible uses aligned to EPA project categories in:
- › Clean Water State Revolving Fund (CWSRF)
 - › Drinking Water State Revolving Fund (DWSRF)



Premium Pay for Essential Workers

Provide premium pay to eligible workers performing essential work or to provide grants to third party employers with eligible workers

- › **Essential Employees-** janitors/sanitation, public health, social service & safety, childcare & educators, nursing home/hospital staff, government
- › **Essential Work:** involving regular in-person interactions
- › **Other Provisions:** including retroactive premium pay



Broadband Infrastructure

Make necessary investment to provide unserved or underserved locations with new or expanded broadband access

- › Fund projects that deliver reliable services – **minimum 100 Mbps download/upload speed**

Reporting Requirements

Reporting Overview

Counties, metro cities, and municipalities may be required to submit up to 3 separate report types

1

Interim Report

- First Report Due: **August 31, 2021**
- Reporting Frequency: **One-time**
- 1st Period Covered: March 3 – July 31, 2021
- Expenditures and obligations by Expenditure Category at the summary level, *not project level*

2

Recovery Plan Performance Report (“Recovery Plan”)

- First Report Due: **August 31, 2021**
- Reporting Frequency: **Annually**
- 1st Period Covered: March 3 – July 31, 2021
- **RPPs will cover a 12-month period (July – June).** The County will be required to submit the report to Treasury and post the report on its public-facing website within 30 days after each 12-month period
- Key performance indicators identified by the recipient and some mandatory indicators identified by Treasury

3

Project and Expenditure Report

- First Report Due: **October 31, 2021**
- Reporting Frequency: **Annually (NEUs); Quarterly (Metro Cities)**
- 1st Period Covered: March 3 – September 30, 2021
- Subsequent reports **due within 30 days** after the end of each calendar quarter
- Report on projects funded, expenditures, contracts, and subawards over \$50,000
- Same general data as the reports submitted for CRF, with some modifications to classifications and additions of data elements related to eligible uses

Required Reporting

All Cook County municipalities fall into 3 recipient categories and are required to submit the following reports:

	Interim Report	Recovery Plan Performance Report ("Recovery Plan")	Project and Expenditure Report
Large Counties/Cities Only Cook County + City of Chicago	✓	✓	✓ Quarterly
Metro Cities <250k population + >\$5m in FRF funds	✓		✓ Quarterly
NEUs			✓ Annually

Interim Report

One-time report providing an initial overview of status and uses of funding between Mar 3 – July 31, 2021.

- Report must provide a breakdown of obligations & expenditures by each of the 66 Expenditure Categories
- Report will be similar to the CARES Act Coronavirus Relief Fund

Example:

ID	Expenditure Category	Cumulative Obligations	Cumulative Expenditures
2	Negative Economic Impacts		
2.1	Household Assistance: Food Programs	\$1,000,000	\$1,000,000
2.2	Household Assistance: Rent, Mortgage, and Utility Aid	\$2,000,000	\$500,000
2.3	Household Assistance: Cash Transfers	\$5,000,000	\$0

Expenditure Categories

1: Public Health
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
2: Negative Economic Impacts
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
3: Services to Disproportionately Impacted Communities
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* ^
4: Premium Pay
4.1 Public Sector Employees
4.2 Private Sector: Grants to Other Employers
5: Infrastructure?
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
6: Revenue Replacement
6.1 Provision of Government Services
7: Administrative
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)

Interim Report – Revenue Replacement

If Metro Cities plan or already have expenditures in the Revenue Replacement category, they will be required to provide the following programmatic data*:

1. Base year general revenue (e.g., revenue in the last full fiscal year prior to the public health emergency)
2. Fiscal year end date
3. Growth adjustment used (either 4.1 percent or average annual general revenue growth over 3 years prior to pandemic)
4. Actual general revenue as of the twelve months ended December 31, 2020
5. Estimated revenue loss due to the Covid-19 public health emergency as of December 31, 2020
6. An explanation of how revenue replacement funds were allocated to government services

**Note: Additional revenue loss data will need to be reported in the 4th quarter Project & Expenditure Reports*

Calculating Revenue Loss

Revenue Reduction Overview

The Fiscal Recovery Fund (FRF) provides substantial financial resources to address impacts of the pandemic, economic fallout, and lay the foundation for a strong and equitable **recovery including replacement of lost public sector revenue to support vital services and retain jobs**



ARPA Local Fiscal Recovery Fund

Key topics from the Interim Final Rule* with respect to revenue replacement:

- Revenue Reduction Calculation Methodology
- Identifying Base Year Revenue
- Eligible Government Services

“Recipients may use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency ... recipient’s reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency.”*

General Rules for Calculating Revenue Loss



Any loss in actual revenue calculated using the provided formula is presumed to have been “due to” the COVID-19 public health emergency



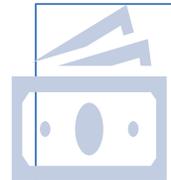
Treasury is disallowing the use of projections to determine reduction in revenue



Treasury does not require audited data, but expects all information submitted to be complete and accurate



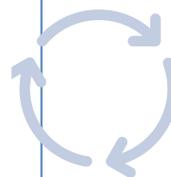
Recipients should calculate revenue on entity-wide basis



Data can be provided on a cash, accrual, or modified accrual basis



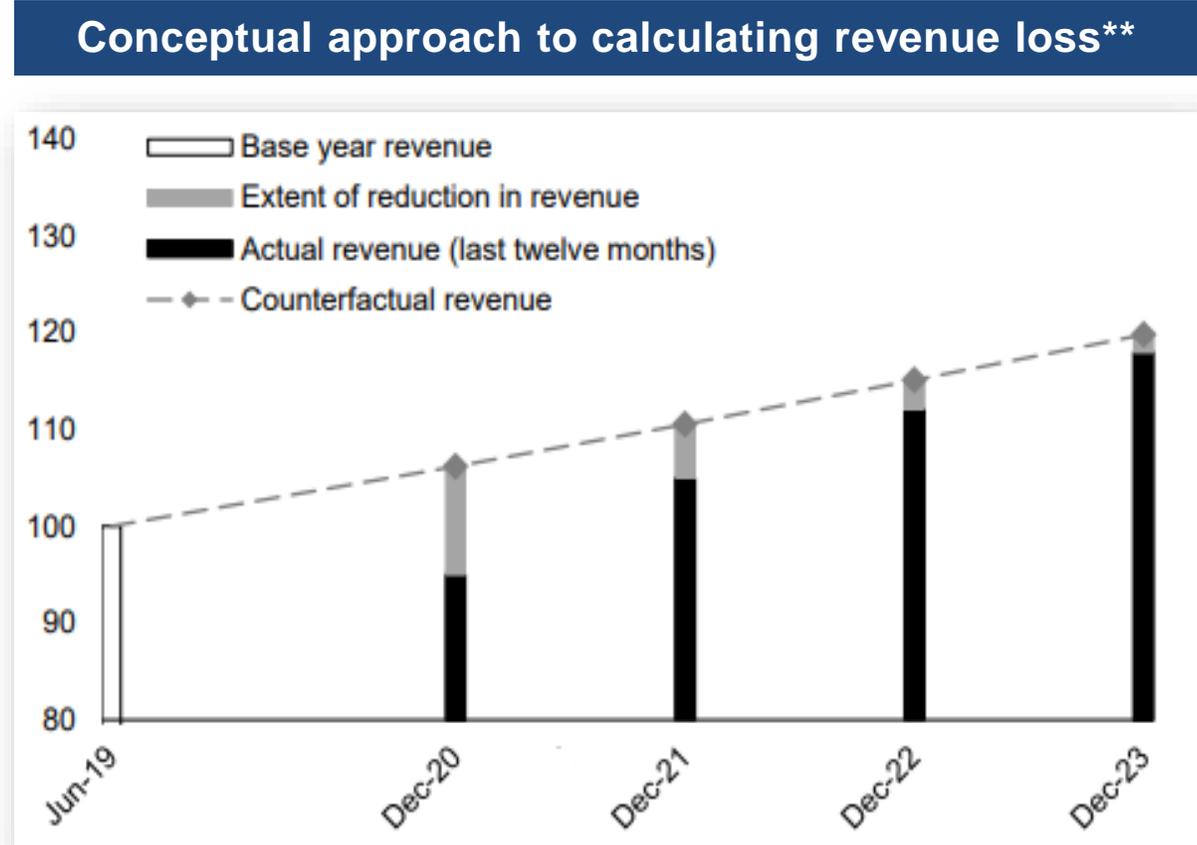
To the extent federal funds are passed through states, recipients should attempt to identify and exclude the federal portion of those funds on a best-efforts basis



Recipients must be consistent in their choice of methodology throughout the covered period and until reporting is no longer required

Revenue Reduction Overview

- Step 1** • Determine eligible “general revenues” and calculate Base Year Revenue
- Step 2** • Calculate Counterfactual (4.1% or 3-yr historical)
- Step 3** • Determine Actual Revenue
- Step 4** • Subtract Actual Revenue from Counterfactual Revenue
- Step 5** • Report to U.S. Treasury



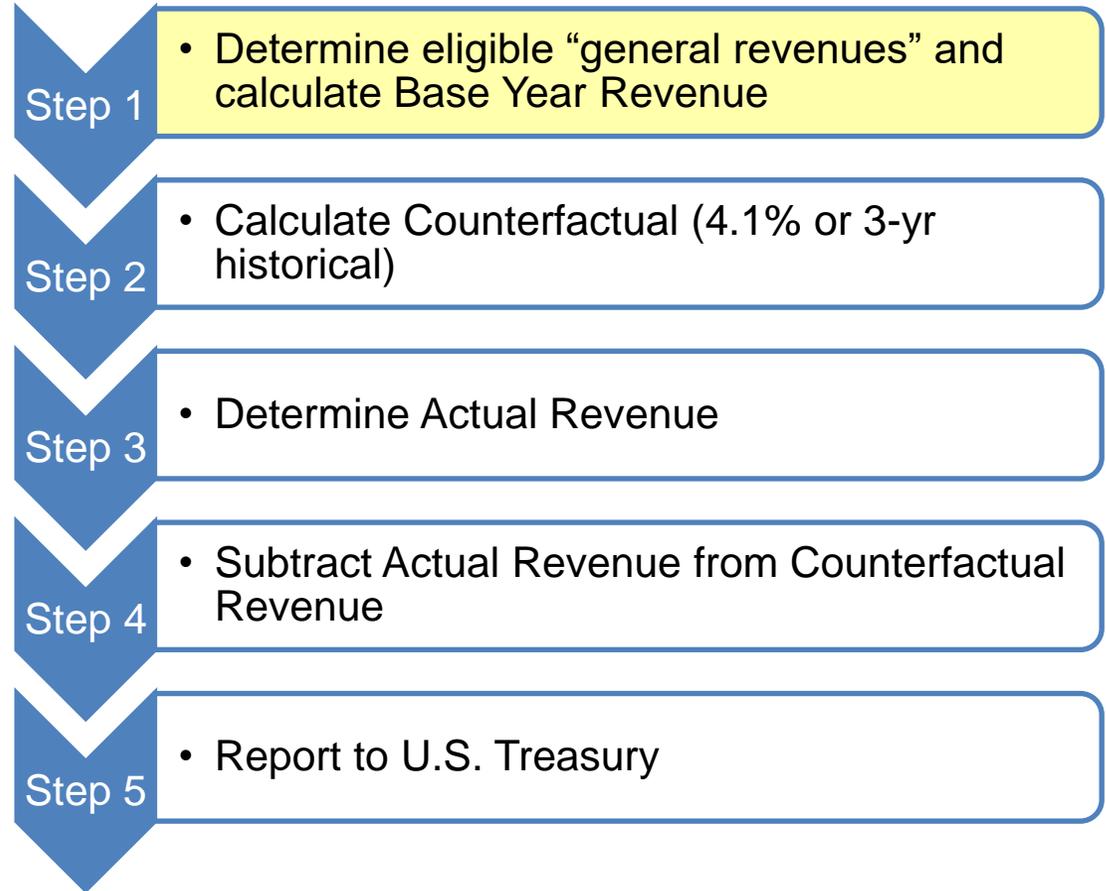
Losses are determined by calculating counterfactual revenue to estimate revenue growth absent the pandemic through a 4-step calculation process requiring actual revenue

**Reproduced from U.S. Treasury Coronavirus State and Local Fiscal Recovery Funds: Interim Final Rule. The Interim Final Rule is available here and still subject to change: <https://www.govinfo.gov/content/pkg/FR-2021-05-17/pdf/2021-10283.pdf>

Revenue Reduction Calculation

The following are defined as “general revenues”:

- Taxes
- Current Charges
 - Gross revenue from government facilities (recreational facilities)
 - Gross revenue from auxiliary facilities (camping areas, gift shops, etc.)
 - Parking fees
- Miscellaneous General Revenue
- Intergovernmental transfers between state and local governments (excludes federal transfers made via a state to a locality, such as CRF)



In calculating revenue, recipients should sum across all revenue streams covered as general revenue

Revenue Reduction Calculation

Example Statement of Revenues (2020)

Revenue Category	Source*	Eligible?	Justification
Charges for Service	Recreation Fees	✓	“Other types” of revenue available to support government services
Operating & Capital Grants	CRF	X	Intergovernmental transfers from Federal program
	Museum Grant	✓	Intergovernmental transfer from State
Taxes	Property Tax	✓	Revenues collected by a recipient generated from underlying economic activity
	Sales Tax	✓	
	Income Tax	✓	
	Beverage Tax	✓	
	Hotel Tax	✓	
Miscellaneous Revenue	Refunds	X	Proceeds from refunds or correcting transactions are ineligible
	Parking Permits	✓	Current Charges
Investment Income	Sales	X	Proceeds from Sale of Investments
	Interest	✓	Dividends or interest earnings

Ineligible Revenue Sources

Intergovernmental transfers from the federal government

Refunds and other correcting transactions

Proceeds from issuance of debt or sale of investments

Agency or private trust transactions

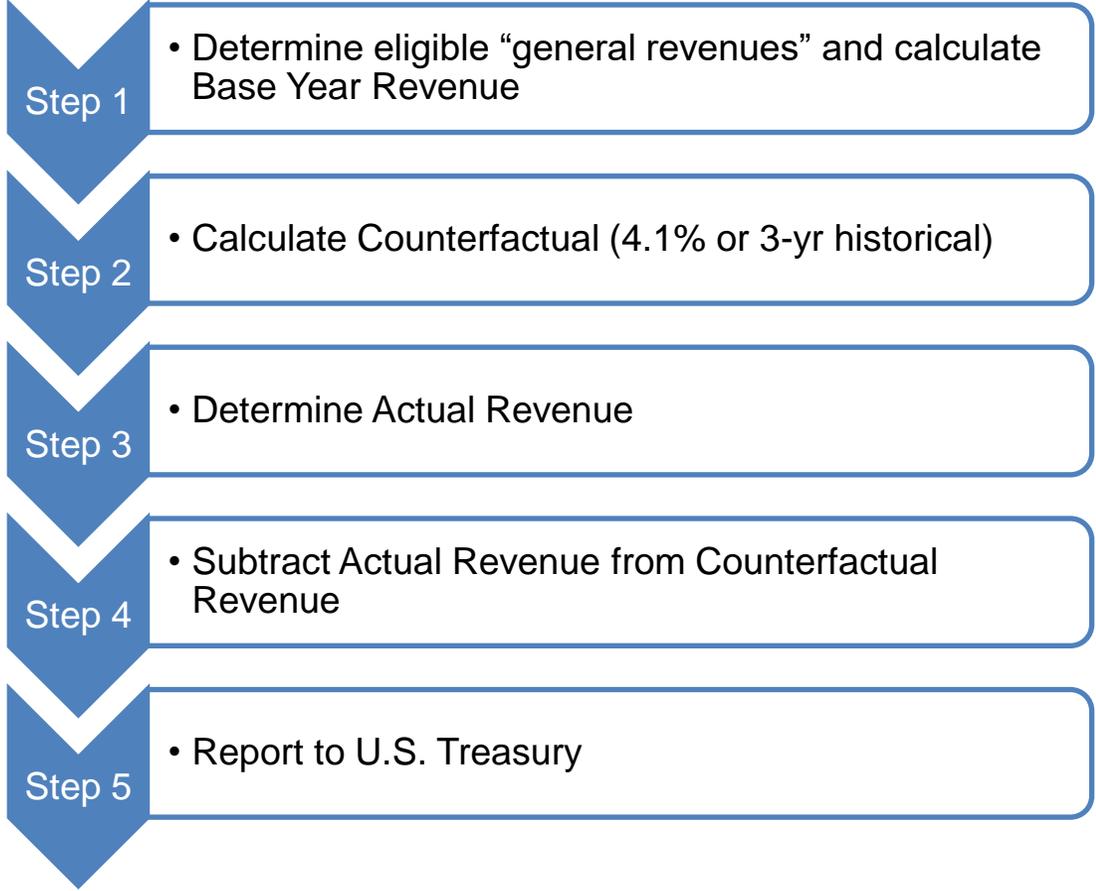
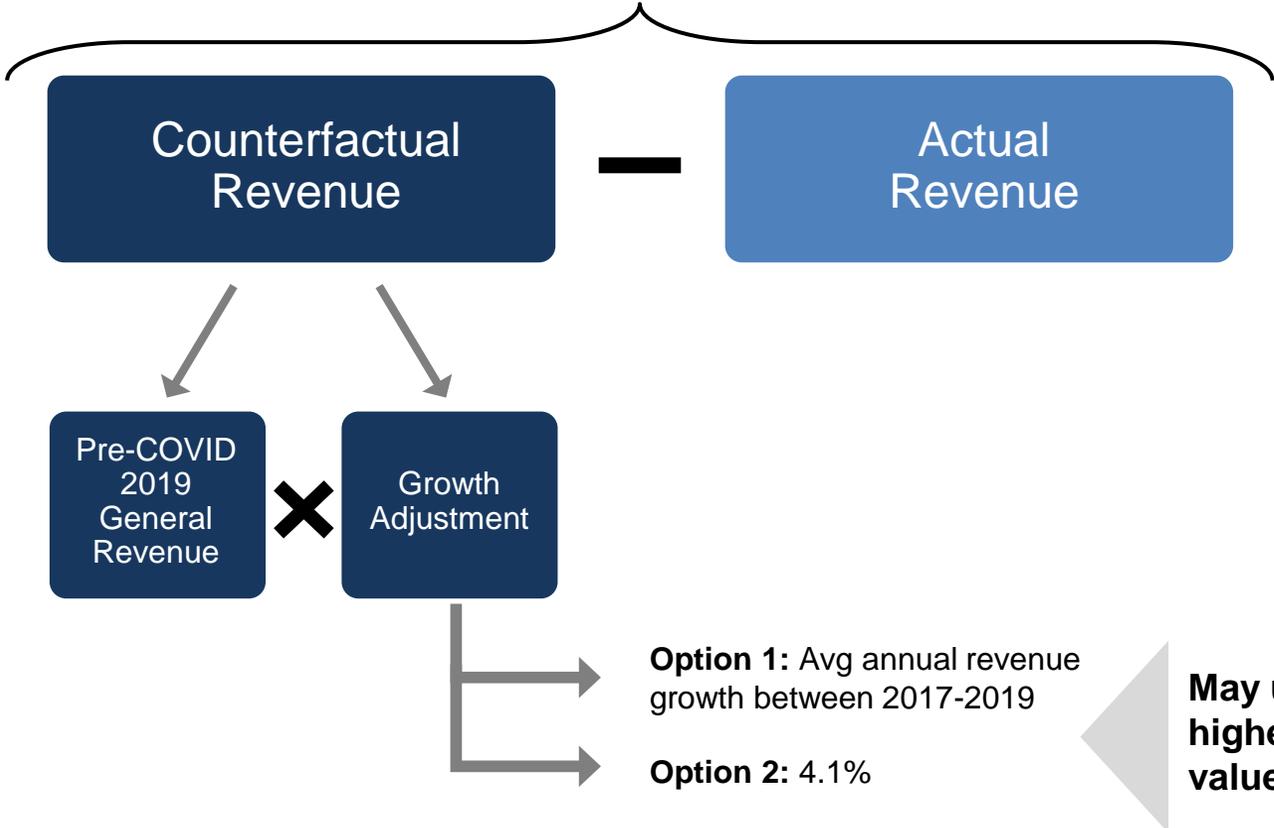
Revenue generated by utilities* or insurance trusts

*Includes revenue from sales and operations of publicly-owned and controlled water supply systems, electric power systems, gas supply systems, and public mass transit

*These are examples for illustrative purposes only and provided in the revenue reduction template

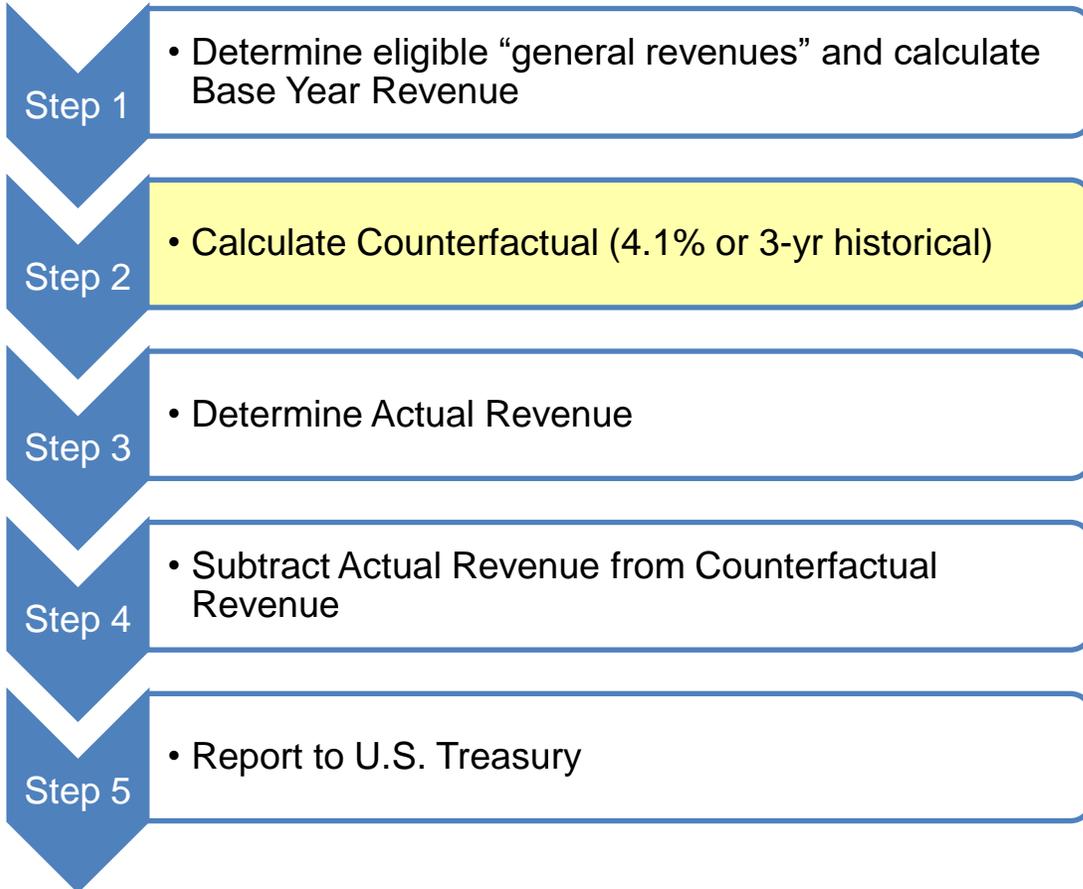
Revenue Reduction Calculation

Calculation Overview



Losses are determined by calculating counterfactual revenue to estimate revenue growth absent the pandemic

Revenue Reduction Calculation

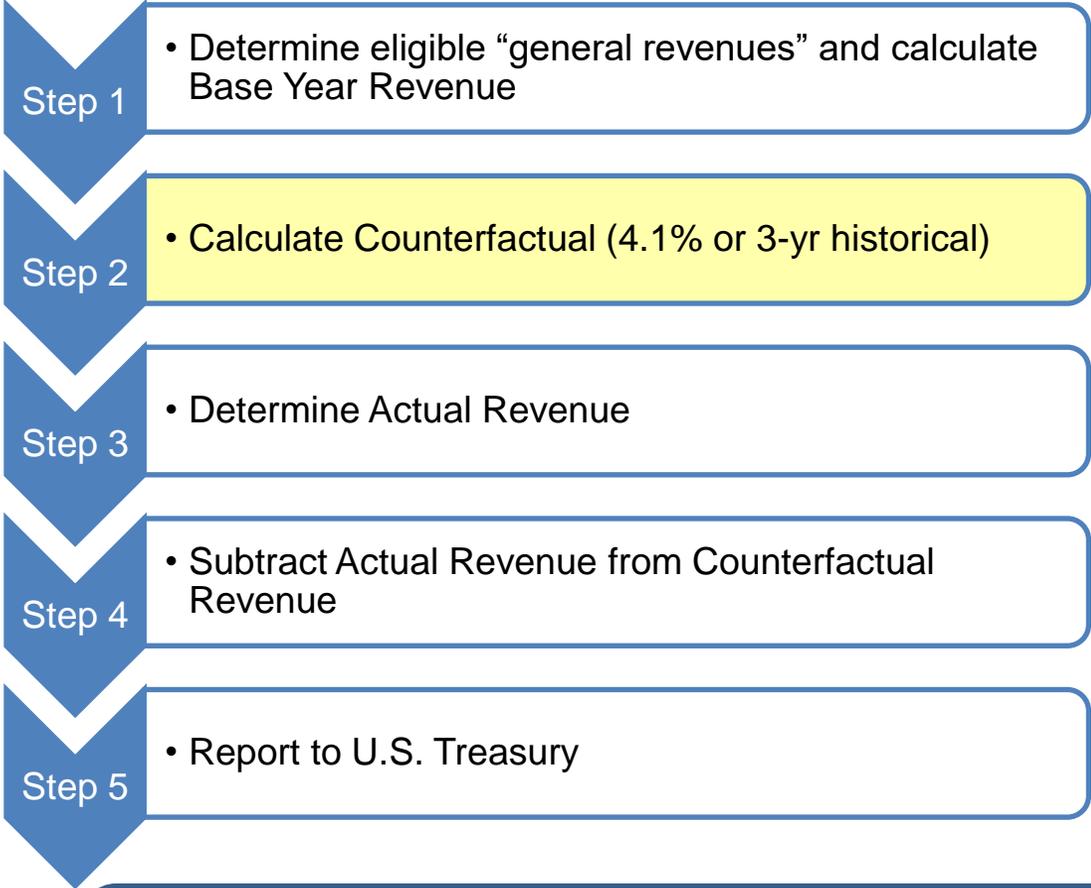


Formula for calculating revenue reduction

$$[(\text{Base Year Revenue}) * (1 + \text{Growth Adjustment})^{(n/12)}] - [\text{Actual General Revenue}]$$

Variable	Description
Base Year Revenue	General Revenue collected in the most recent full fiscal year prior
Growth Adjustment	The greater of 4.1% or the recipients average annual revenue growth
n	number of months elapsed since the end of the base year to calculation date
Actual General Revenue	Recipient’s actual revenue collected during 12-month period ending on each calculation date

Revenue Reduction Calculation



Estimate Counterfactual Revenue (4.1%)

$$[(\$2,500) * (1 + .0041)^{(13/12)}] = \$2,611$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	.0041
n (assuming November 30, 2019 base year end)	13
Counterfactual using standard 4.1% growth adjustment	\$2,611

Recipients may use a growth adjustment of either 4.1% per year or the recipient’s average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher

Revenue Reduction Calculation

Year (Ending November 30)	All revenues (in thousands)	% Change
2016	\$ 2,100	
2017	\$ 2,200	4.8%
2018	\$ 2,250	2.3%
2019	\$ 2,500	11.1%
Growth Adjustment:		6.05%

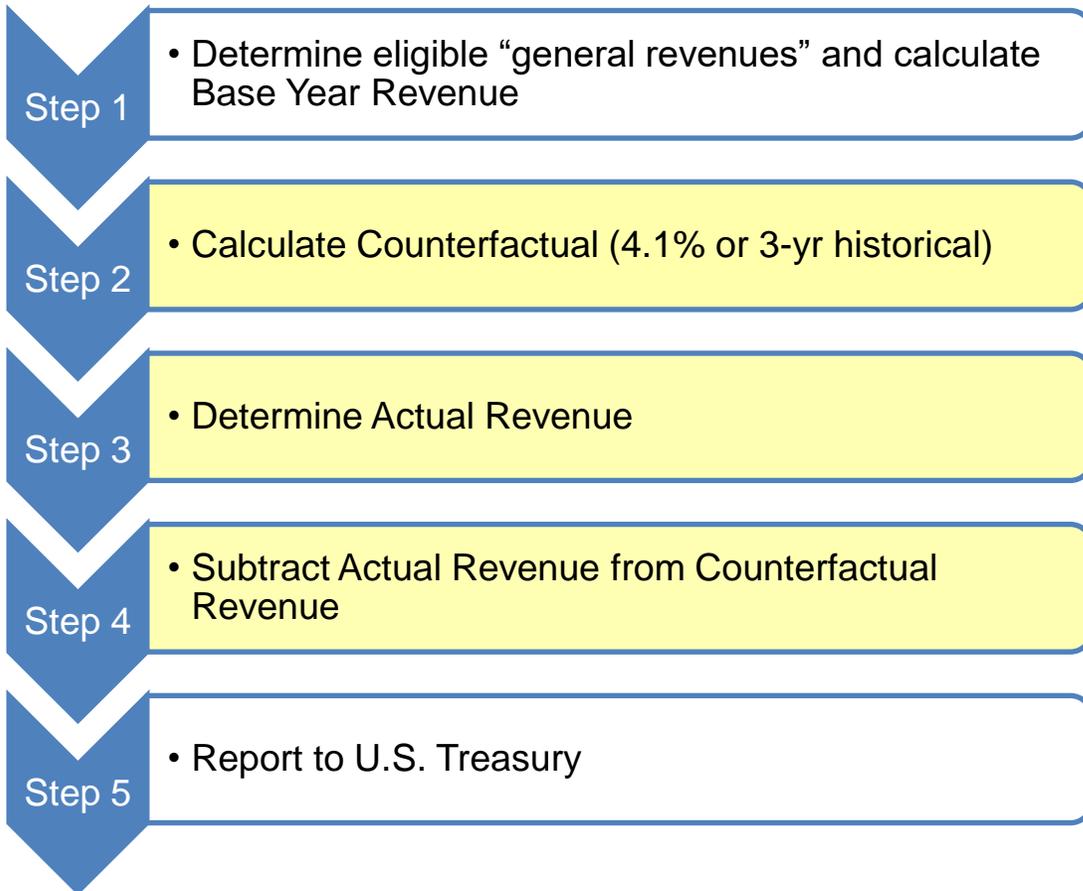
Estimate Counterfactual Revenue (Average Annual Revenue Growth)

$$[(\$2,500) * (1 + .00605)^{(13/12)}] = \mathbf{\$2,664}$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	.00605
n (assuming November 30, 2019 base year end)	13
Counterfactual using 6.05% growth adjustment	\$2,664

Recipients may use a growth adjustment of either 4.1% per year or the recipient's average annual revenue growth over the three full fiscal years prior to the COVID-19 public health emergency, whichever is higher

Revenue Reduction Calculation



Formula for calculating revenue reduction (Average Annual Revenue Growth)

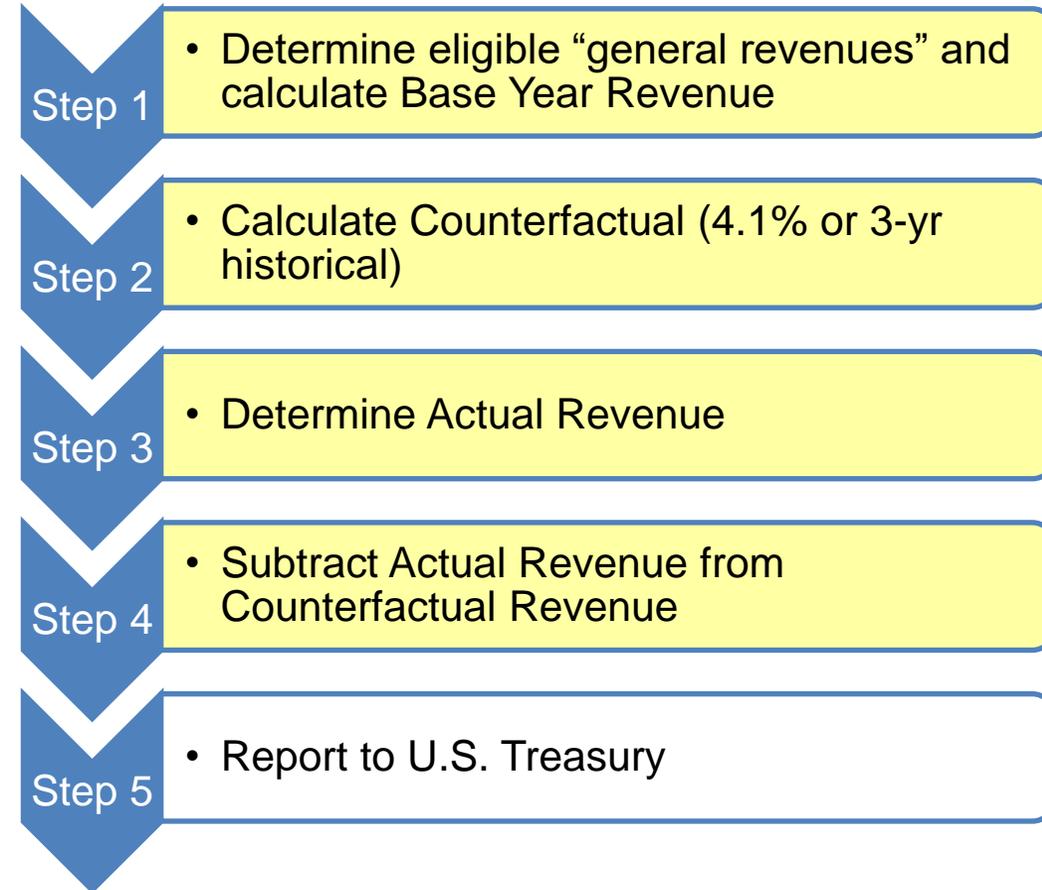
$$[(\text{Base Year Revenue}) * (1 + \text{Growth Adjustment})^{(n/12)}] - [\text{Actual General Revenue}]$$

$$[(\$2,500) * (1 + .00605)^{(13/12)}] - [\$2,220] = \mathbf{\$464}$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	.00605
n (assuming November 30, 2019 base year end)	13
Actual General Revenue	\$2,220
Revenue loss using 6.05% growth adjustment	<u>\$464</u>

Revenue Reduction Calculation

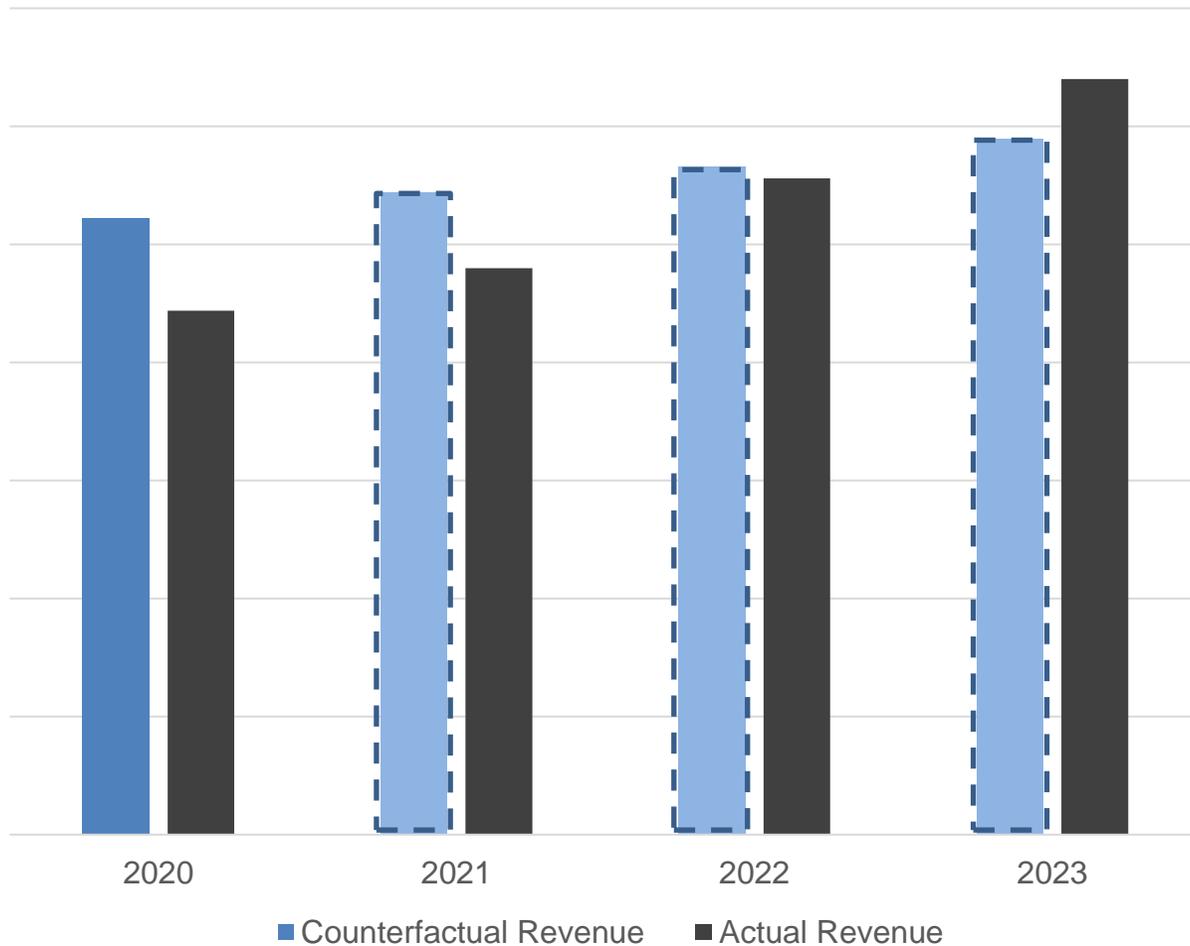
Step	Formula	Estimate (in thousands) based on December 31, 2020 calculation date*
1. Identify Base Year Revenue	Base Year Revenue = Revenue for the full fiscal year prior to January 27, 2020	Base Year Revenue for FY ending November 30, 2019 = <u>\$2,500</u>
2. Estimate Counterfactual Revenue	Counterfactual Revenue = (Base Year Revenue) * [(1+Growth Adjustment)^(n/12)]	$(\$2,500) * [(1 + .0041)^{(13/12)}] = \underline{\$2,611}$
		$(\$2,500) * [(1 + .00605)^{(13/12)}] = \underline{\$2,664}$
3. Identify Actual Revenue	Actual Revenue = Revenue collected over the past 12 months	\$2,220
4. Determine Reduction in Revenue	Revenue Reduction = (Counterfactual Revenue) – (Actual Revenue)	$\$2,611 - \$2,200 = \underline{\$411}$
		$\$2,664 - \$2,220 = \underline{\$464}$



*This is an example for illustrative purposes only and provided in the revenue reduction template

Revenue Reduction - Overview

Example of actual revenue exceeding counterfactual in 2023

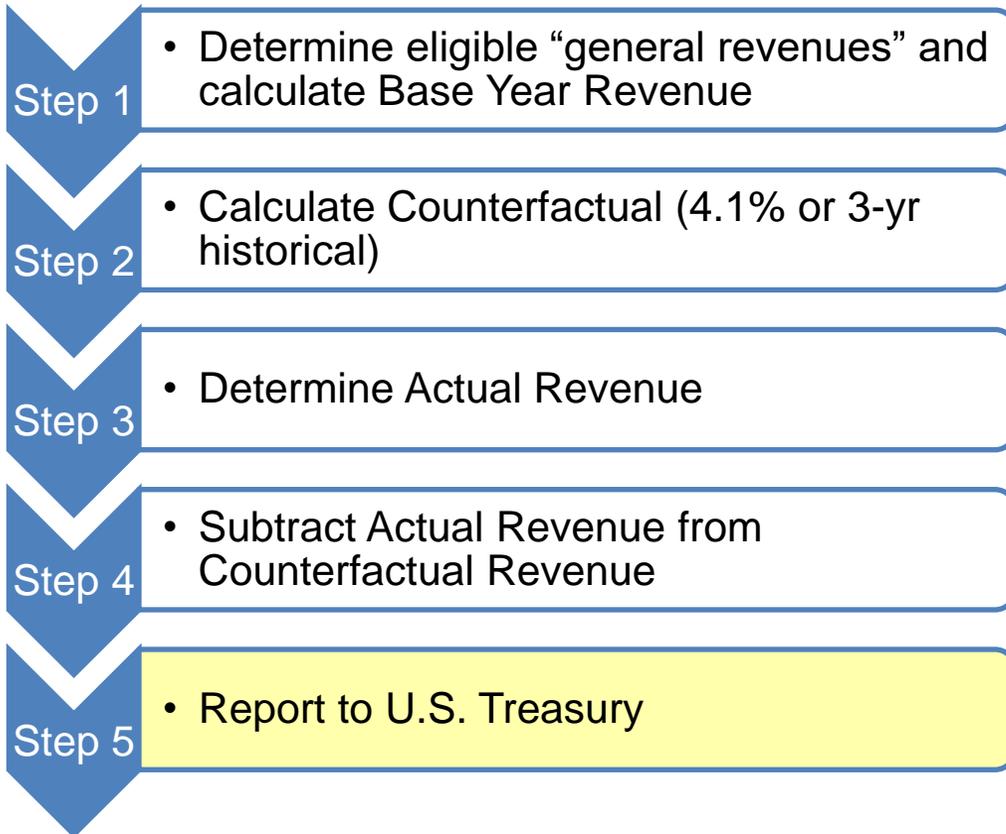


- Counterfactual revenues for 2020 – 2023 can be calculated now
- If actual revenue exceeds the counterfactual revenue, the entity is not eligible for revenue reduction for that year
- Revenue reduction amount in 2020 can be spent on government services throughout the reporting period

Year	Counterfactual Revenue	Actual Revenue
2020	\$2,664	\$2,220
2021	\$2,825	TBD
2022	\$2,996	TBD
2023	\$3,177	TBD

Revenue Reduction - Reporting

Losses are determined by calculating counterfactual revenue to estimate revenue growth absent the pandemic through a 4-step process requiring actual revenue figures to be reported at the end of each fiscal year*



*If reporting for Dec. 31, 2020, must include the following in Interim Report **due August 31, 2021** (metropolitan cities only):

- Base year general revenue
- Fiscal year end date
- Growth adjustment used
- Actual general revenue
- Estimated revenue loss due to Covid-19 as of December 31, 2020
- An explanation of how revenue replacement funds were allocated to government services (*Note: additional instructions forthcoming*)

Recipients are permitted to calculate the extent of reduction in revenue as of four points in time:

- **Dec. 31, 2020 (entities able to calculate upon receipt of funds)**
- Dec. 31, 2021
- Dec. 31, 2022
- Dec. 31, 2023

Government Services

Eligible Government Services	Expenses not directly providing services or aid to citizens, and therefore ineligible to be covered by revenue loss allocation:
Maintenance or pay-go funded building of infrastructure, including roads	Interest or principal on any debt instrument
Modernization of cybersecurity	Short-term revenue or tax anticipation notes
Health Services	Fees or costs associated with issuance of new debt
Environmental Remediation	Obligation under a settlement agreement*
Educational & Public Safety Services	Replenishment of financial reserves (i.e., rainy day fund)

“The Act provides broad latitude to use the FRF for the provision of government services ... However, expenses associated with obligations under instruments evidencing financial indebtedness for borrowed money would not be considered the provision of government services”

Questions?

You may submit any additional questions by scanning the QR code or using this link:

<https://forms.office.com/r/3wK94kCCfi>

Or send us an email at: SuburbanCOVIDFundingQuestions@cookcountyil.gov



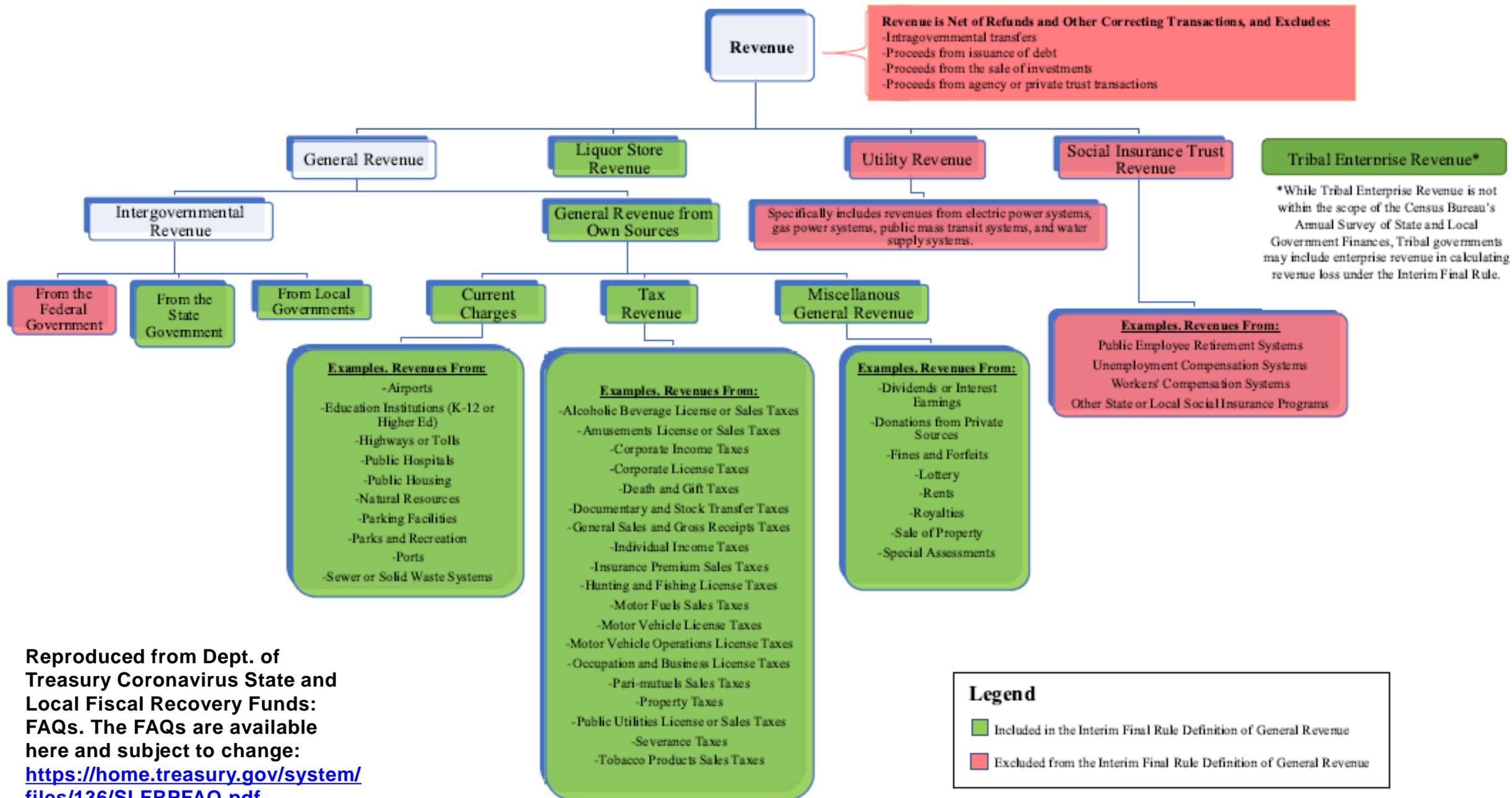
Upcoming Technical Assistance Webinars

- ARPA Overview:** Overview of ARPA funds and requirements, changes and differences from CRF, allocation methodology, accessing SLFRF funds from the State, overview of eligible grant opportunities, high level reporting requirements, and subaward process
 Dates: **August 3rd; August 10th from 10-11am**
- SLFRF – Interim Report:** Deep dive into the Interim Report requirements for Cook County Metro Cities. The report is due to the Treasury by August 31st. NEUs, or Cook County municipalities with populations of less than 50,000, do NOT submit an Interim Report
 Dates: **August 4th; August 11th from 10-11am**
- SLFRF – Calculating Revenue Replacement:** The webinar will explain the revenue loss calculation, which is one of the broad-use categories under SLFRF and share key considerations
 Dates: **August 5th; August 12th from 10-11am**
- Open Office Hours:** Open hour for anyone to come with questions
 Dates: **August 6th; August 13th from 10-11am**

August						
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Appendix

Appendix: Interim Final Rule Definition of General Revenue Within the Census Bureau Classification Structure of Revenue



Reproduced from Dept. of Treasury Coronavirus State and Local Fiscal Recovery Funds: FAQs. The FAQs are available here and subject to change: <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>