

STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPRAGUE SUBCOMMITTEE
REGULAR MEETING NOTICE AND AGENDA

Meeting Date and Time: Thursday, July 22, 2021 12:30 PM – 2:00 PM

Meeting Location: This will be a virtual meeting. Meeting materials can be found at <https://portal.ct.gov/OPM/Marb/Sprague-Committee-Meetings-and-Materials>

Call-in Instructions: Telephone: (860) 840-2075
Access Code: 426 752 237

Agenda

- I. Call to Order
- II. Approval of Minutes:
 - a. June 10, 2021 Subcommittee Special Meeting
- III. Review and Discussion: ARPA and ESSER Funding Overview and Town Priorities
- IV. Review and Discussion: Status Updates
 - a. Audit services RFP
 - b. Financial Policies and Procedures
 - c. Corrective Action Plan
- V. Other Related Business
- VI. Adjourn

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STATE OF CONNECTICUT
MUNICIPAL ACCOUNTABILITY REVIEW BOARD
SPRAGUE SUBCOMMITTEE
SPECIAL MEETING MINUTES

Meeting Date and Time: Thursday, June 10, 2021 9:00 AM – 9:30 PM

Meeting Location: This was a virtual meeting. Meeting materials can be found at <https://portal.ct.gov/OPM/Marb/Sprague-Committee-Meetings-and-Materials>

Call-in Instructions: Telephone: (860) 840-2075
Access Code: 646 918 058

Members in Attendance: Kimberly Kennison (OPM Secretary designee), Christine Shaw (State Treasurer designee), Mark Waxenberg

Town Officials in Attendance: First Selectman Cheryl Blanchard

OPM Staff in Attendance: Julian Freund

I. Call to Order

The meeting was called to order at 9:05 AM.

II. Approval of Minutes:

a. May 6, 2021 Subcommittee Special Meeting

A motion to approve the minutes was made by Ms. Shaw, with a second by Mr. Waxenberg. The motion was approved unanimously.

III. Review, Discussion and Possible Action: Updated 5-Year Plan

The 5-Year Plan has been updated since the Subcommittee first reviewed the Plan at the May 6 meeting. The Town has used conservative assumptions for revenue projections, including 0% grand list growth and level State Aid. The 5-Year Plan eliminates General Fund Balance deficit and begins building Fund Balance. The Town was also asked to include a plan for eliminating the deficit in the Capital Non-Recurring (CNR) Fund. The revised Plan includes transfers of a portion of each year's surplus to pay down the deficit in the CNR Fund. The General Fund Balance is projected to grow to just under 5% by end of 5-Year

Plan. None of the American Rescue Plan Act (ARPA) funds are included in the Plan. The Town will be preparing a plan for the use of the ARPA funding.

A motion was made by Mr. Waxenberg, with a second by Ms. Shaw, to recommend approval of the 5-Year Plan contingent upon approval by the Town Board of Selectmen. The motion passed unanimously.

Ms. Kennison asked about the status of the RFP for audit services and the status of the development of financial policies and procedures. First Selectman Cheryl Blanchard reported that the RFP has not been issued yet, and the Town would be interested in assistance in developing the policies and procedures.

IV. Adjourn

A motion was made by Ms. Shaw, with a second by Mr. Waxenberg, to adjourn. The meeting adjourned at 9:18 AM.

MEMORANDUM
Municipal Accountability Review Board

To: Members of the Municipal Accountability Review Board
From: Julian Freund, OPM
Subject: Overview of ARPA Funding
Date: July 16, 2021

Background

The American Rescue Plan Act (ARPA) of 2021 provides a total of about \$130 billion for local governments across the U.S., including \$1.56 billion for local governments in Connecticut. Of the total amount allocated for local governments in Connecticut, approximately \$692.5 million was allocated for county governments. Since Connecticut does not have functioning county government, the funding allocated for counties will be distributed among cities and towns. The table below shows the ARPA funds allocated for each of the municipalities designated for MARB oversight including the additional allocations resulting from the distribution of the county funding.

Municipality	Municipality's Allocation	Distribution of County Allocation	Total ARPA Funds
Hartford	88,500,760	23,717,465	112,218,225
Sprague	290,795	555,327	846,122
West Haven	18,399,281	10,609,295	29,008,576

The U.S. Treasury has provided guidance regarding eligible uses, reporting requirements and other aspects of the funding through an Interim Final Rule issued on May 10 and supplemented by several FAQ documents since then. The comment period for the Interim Rule closed July 16. The date that the Final Rule will be issued has not yet been set.

Eligible Uses

The Act identified four categories of eligible uses for the recovery funds provided to state and local governments, which are further explained in the Interim Final Rule. The four categories of eligible uses are:

1. Response to Public Health and Economic Impacts:
 - a. **Public Health Impacts:** Measures to control the spread of the disease and to care for the sick fall within this sub-category. Adaptations to public facilities to meet pandemic operational needs are considered part of the response to the public health impacts as well. This category also extends to measure to address mental health impacts, substance abuse, domestic violence, the deferral of preventive health measures, and

inequities resulting from the disparate health impact on certain demographic groups and low-income communities.

- i. Examples of eligible uses include COVID-19 mitigation and prevention, medical expenses, behavioral health care, public health and safety staff (payroll and benefits), and improvements to public health programs
 - b. **Economic Impacts:** This sub-category covers measures that respond to the negative economic impacts on both households and individuals as well as businesses. As is the case with public health impacts, funds in this sub-category may address the disparate economic impact on certain demographic groups and low-income communities. Uses must be designed to address the economic harm resulting from, or made worse by, the pandemic. Responses to the economic impacts must be related to and reasonably proportional to the extent and type of harm experienced.
 - i. Examples of eligible uses include assistance to unemployed workers, assistance to households (rent, food, utilities, eviction and homelessness prevention), loans or grants to small businesses and non-profits, aid to impacted industries, investments in housing and neighborhoods, addressing educational disparities, and promoting healthy childhood environments
2. **Premium Pay to Essential Workers:** Premium pay for essential workers is an eligible use of ARPA funds. Essential workers are workers who “maintain the continuity of operations of essential critical infrastructure sectors, including those who are critical to protecting the health and wellbeing of their communities.” This category allows for premium pay of up to an additional \$13/hour (capped at \$25,000 per person). Retroactive payments are allowed.
3. **To Provide Government Services to the Extent of the Reduction in Revenue:** This category is intended to help restore, and avoid further cuts to, government services resulting from revenue losses during the pandemic. In the Interim Final Rule, government services is interpreted broadly to include general capital expenditures. However, the amount that a recipient may spend under this category is capped to the level of revenue loss calculated.
 - a. **Revenue loss calculation:** The methodology for calculating the revenue loss involves establishing the municipality’s baseline revenues (FY 2019 for municipalities with 6/30 fiscal year end). A growth adjustment is applied to the baseline revenues to estimate what the municipality’s revenues would have been in non-pandemic circumstances (referred to as the “counterfactual revenue” in the Interim Rule). Then, the municipality’s actual revenues are compared to the counterfactual revenue to determine the revenue loss. The amount of lost revenue calculated is the cap on expenditures a municipality may make within this category.
 - b. Examples of eligible expenses in this category include maintenance or pay-as-you-go infrastructure, modernization of cybersecurity, health services, environmental remediation, school or educational services, public safety services
4. **Investments in Water, Sewer and Broadband Infrastructure:**
 - a. **Water and Sewer Infrastructure:** Eligible uses in this category align with the types and categories of projects that would be eligible for assistance through the Clean Water State Revolving Fund (CWSRF) or the Drinking Water State Revolving Fund (DWSRF).

- i. Examples of eligible drinking water system improvements include construction or upgrades of facilities and transmission, distribution and storage systems, and the replacement of lead service lines
 - ii. Examples of eligible wastewater infrastructure improvements include construction of wastewater treatment infrastructure, management and treatment of stormwater, and infrastructure for water re-use
- b. Broadband Infrastructure: The Act's funding for broadband infrastructure is designed to extend services meeting adequate speeds to unserved and underserved households and businesses. Recipients have flexibility in identifying specific locations to be served and in designing projects.

Restrictions on Use of Funds

The Act specifies several prohibited uses of the recovery funds:

- To offset a reduction in net tax revenue resulting from a change in tax rate, rebate, deduction, credit, or otherwise
- To deposit into any pension fund
- Replenishing fund balance or reserve accounts
- Payments for legal settlements
- Outstanding debt

Timeline for Use of Funds

Funds may be used to cover eligible costs incurred between March 3, 2021 and December 31, 2024. Funds that have been obligated prior to December 31, 2024 may be expended after that date provided that obligated funds are fully expended by December 31, 2026.

Reporting Requirements

Entitlement Communities (Hartford, West Haven):

- Interim Report – August 31, 2021
- Quarterly Reports – Beginning October 31, 2021

Non-Entitlement Communities (Sprague)

- No Interim Report required
- Annual Report – due annually by October 31

Town of Sprague Updates
July 22, 2021 Subcommittee
Compiled from Phone/E-mail Updates from Town and BOE

Audit RFP

- The Town issued an RFP for audit services and received two proposals on July 15.
- The Town is reviewing the proposals and expects to identify the preferred firm within the next one to two weeks.
- Board of Finance appointment of the auditor is expected within two weeks at a special meeting to be scheduled.

Policies and Procedures

- The Town has contracted with a consultant to draft the policies and procedures for Town financial operations
- A complete draft set of policies and procedures for Town financial operations is anticipated by September 30.
- The BOE has prepared draft updates to its current policies and procedures documentation and has met with OPM for feedback

Corrective Action Plan

- Policies and Procedures
 - The Town has contracted with a consultant to draft policies and procedures
- Budgetary controls over Capital Non-Recurring Fund
 - The Town will document its policy that contracts may not be executed unless a funding source has been authorized by Town Meeting or Board of Finance
 - The policy will be incorporated into the Policies and Procedures document
- Child Nutrition Fund - segregation of duties
 - The Child Nutrition Fund is now managed under the same general ledger accounting system as the general fund. All invoices are confirmed and coded by the Director of School Nutrition before they are paid following the same process and procedure as the general fund AP. Payroll also follows the same process and procedure as all other Board of Education employees. The School Nutrition Director collects all timesheets, confirms hours, and signs off before submitting to the business office. Additionally, the Director of School Nutrition receives bi-weekly budget vs actual reports so that she can reconcile with her records and to the bank statements.

- General ledger systems for all funds
 - Child Nutrition Fund now managed under same general ledger accounting system as General Fund
 - School Fund (special revenue fund) has not yet moved to the General Ledger system, but the plan is to continue to set up a separate fund so that all accounts are in one GL system. Due to COVID, the activity in the accounts was limited last year.
 - Student Activity Fund (Agency fund) has not yet moved to the GL; however, the process has been revisited and updated. We have had some changes in the front office staff which allowed us the opportunity to revisit the process. They are now set up to have online access to the bank account and bank statements. They have also created forms for check payment requests, deposit requests, and for balance updates.
 - Now that we have cleaned the process we plan to move the record keeping for the Student Activity fund to the general ledger to improve oversight and for ease of auditing procedures
 - We plan to meet over the summer to implement the process of student activity record keeping in the current GL
 - PTO Fund (Agency fund) - The PTO obtained a separate Tax Identification Number (TIN) and opened their own bank account in January. All activity is being transacted in the new bank account. The old account is closed.