



COVID-19 Financial Response

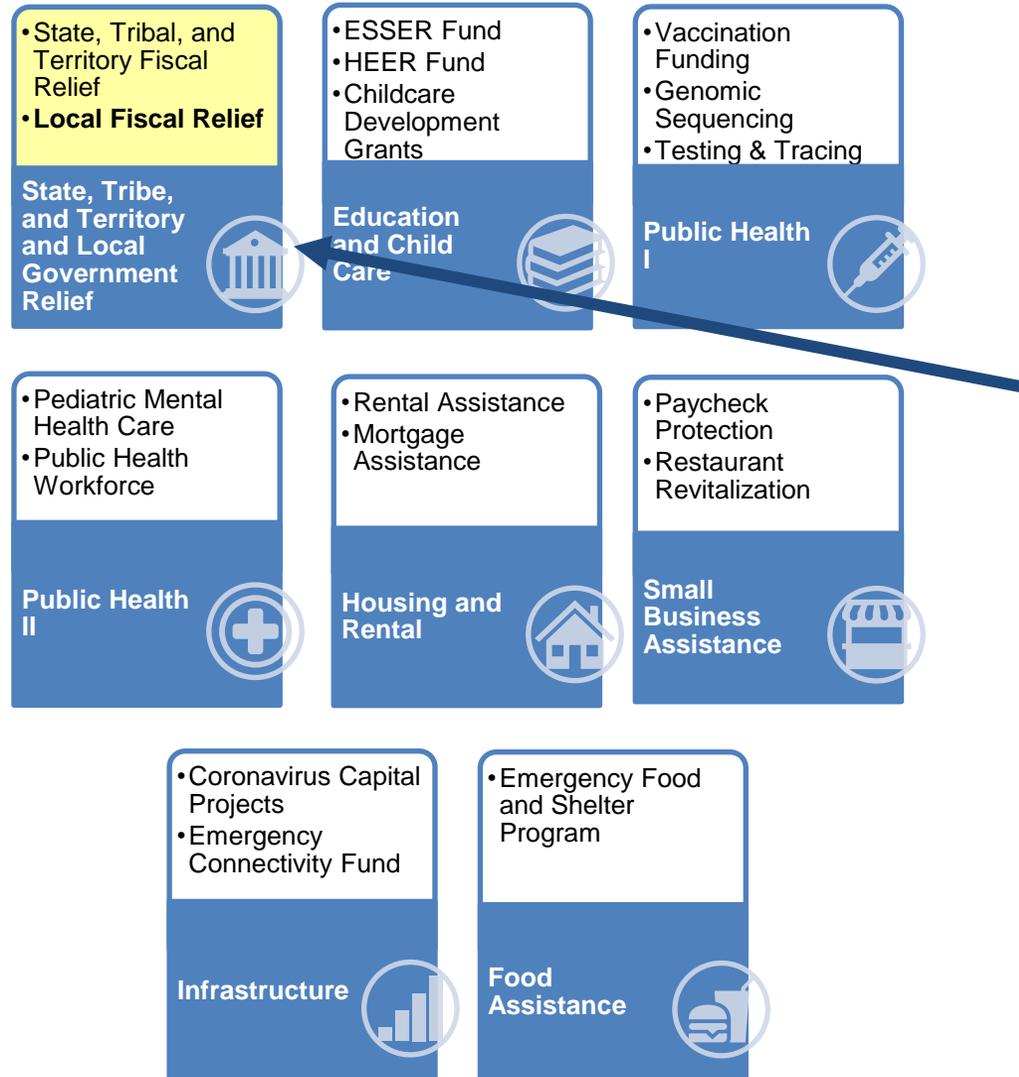
**Technical Assistance:
SLFRF - Calculating Revenue Replacement**

August 12, 2021

Agenda

1. Introductions
2. ARPA Background
3. 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**

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



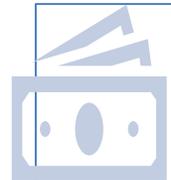
Treasury is disallowing the use of projections to determine reduction in revenue



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



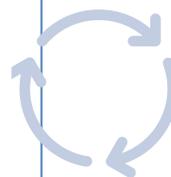
Recipients should calculate revenue on entity-wide basis



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

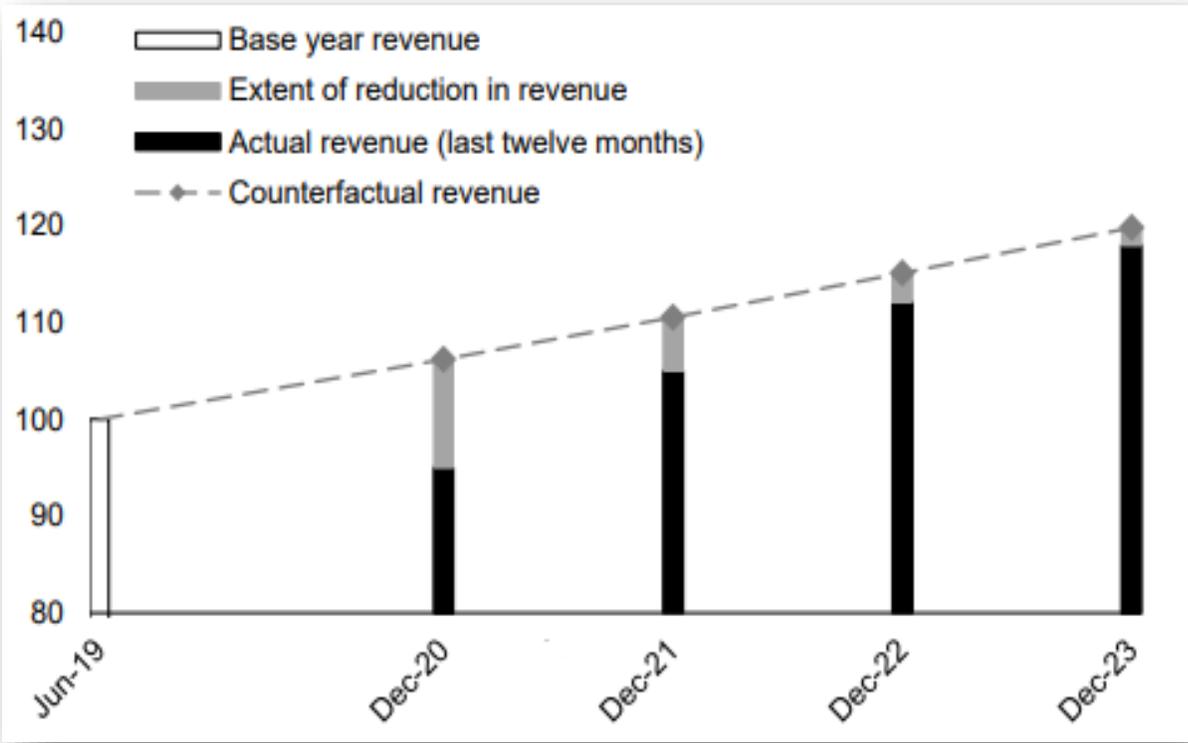


Recipients must be consistent in their choice of methodology throughout the covered period and until reporting is no longer required

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

Conceptual approach to calculating revenue loss**



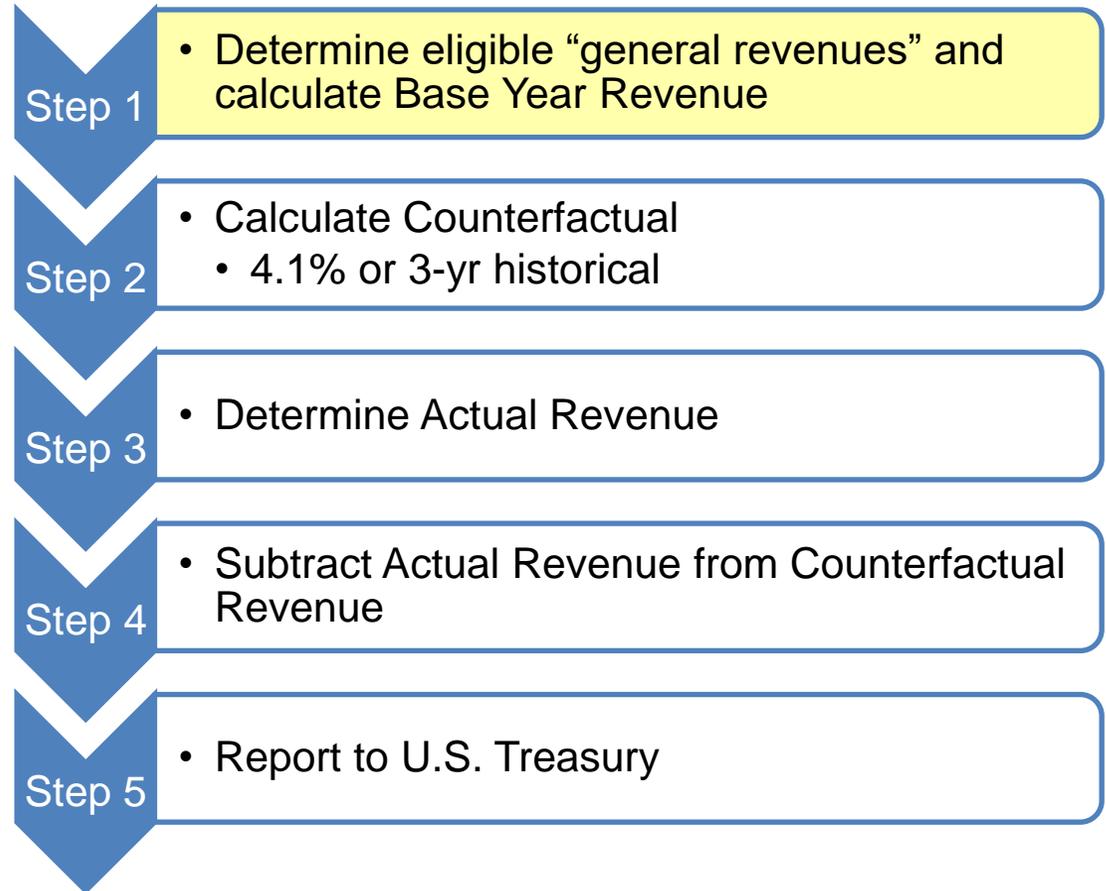
Losses are determined by calculating counterfactual revenue to estimate revenue growth absent the pandemic through a 4-step calculation process requiring actual revenue

**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

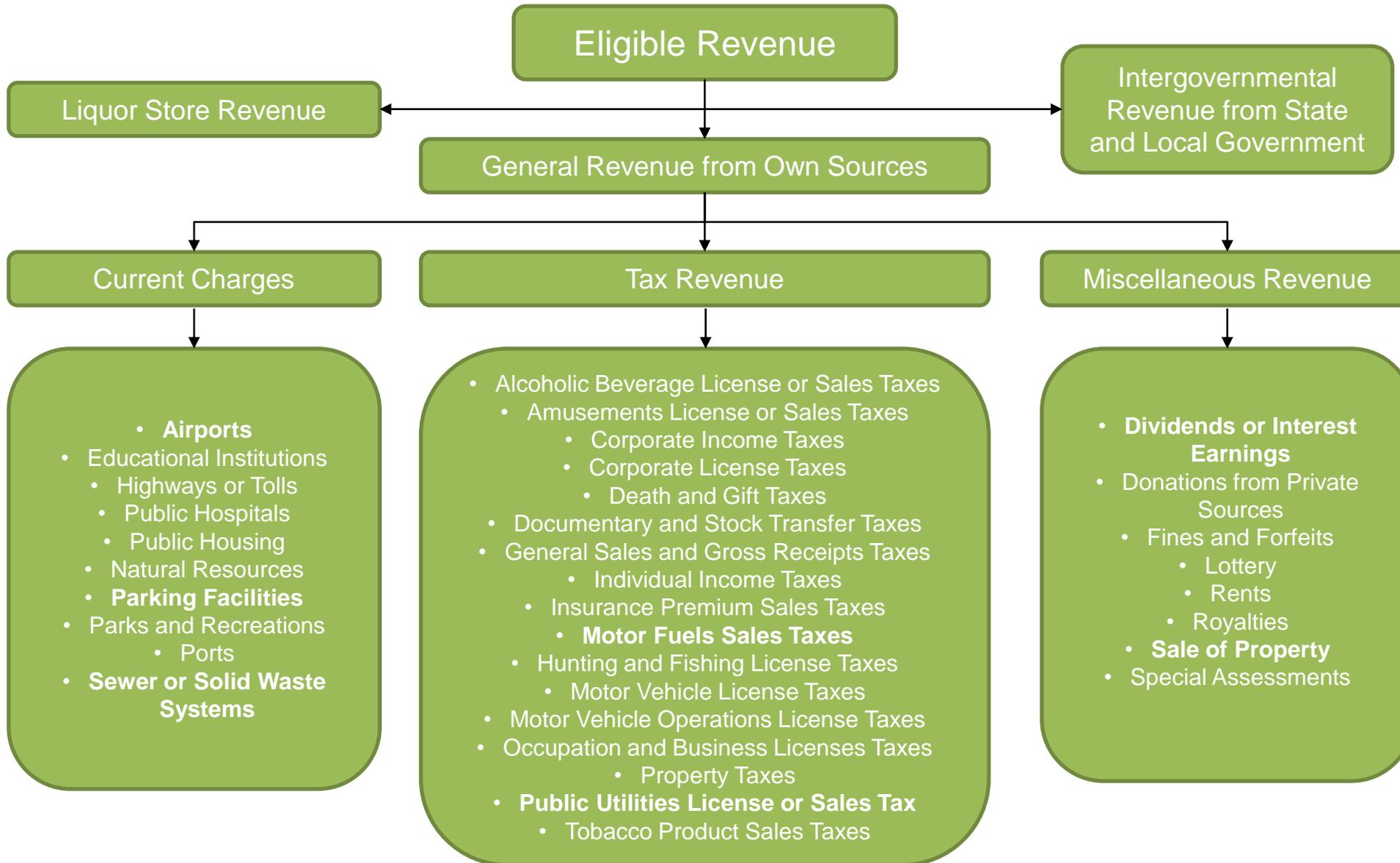
The following are defined as “general revenues”:

- 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

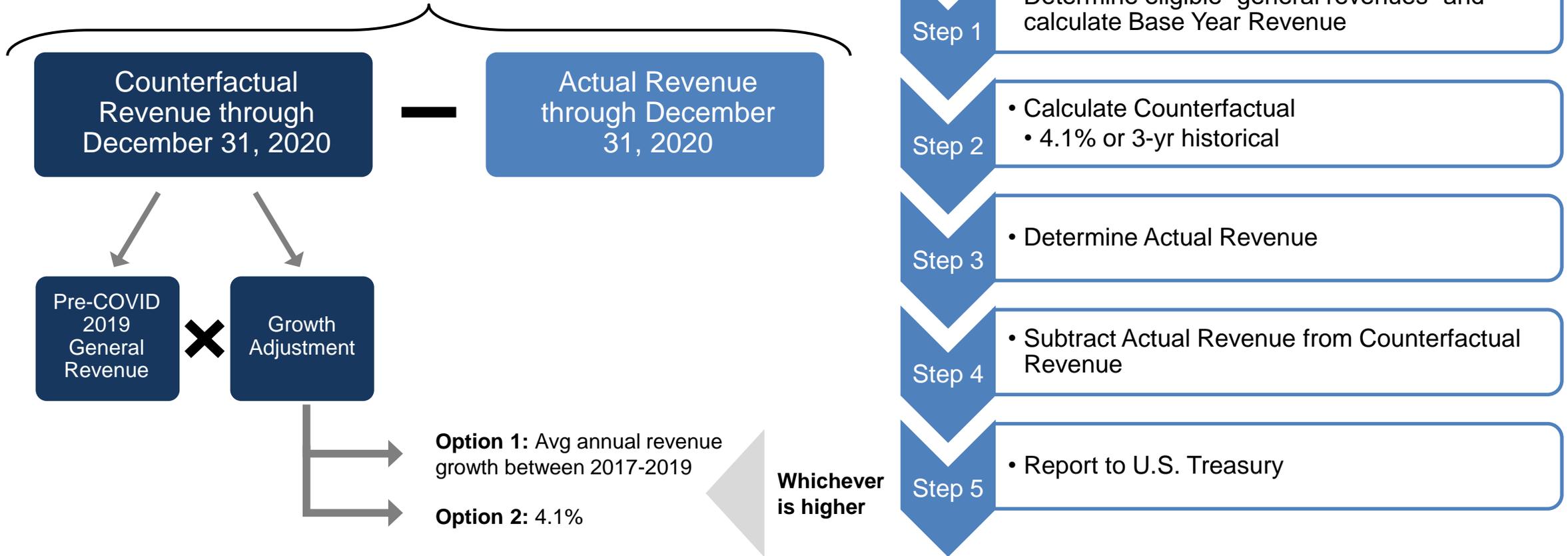


Ineligible Revenue
Intergovernmental transfers from the federal government
Proceeds from refunds and other correcting transactions
Proceeds from issuance of debt or sale of investments
Proceeds from agency or private trust transactions
Revenue generated by utilities* or insurance trusts
Social Insurance Trust Revenue including public employee retirement, worker's compensation and unemployment systems
Revenue examples are non-exhaustive, bolded revenues highlight and address FAQs

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

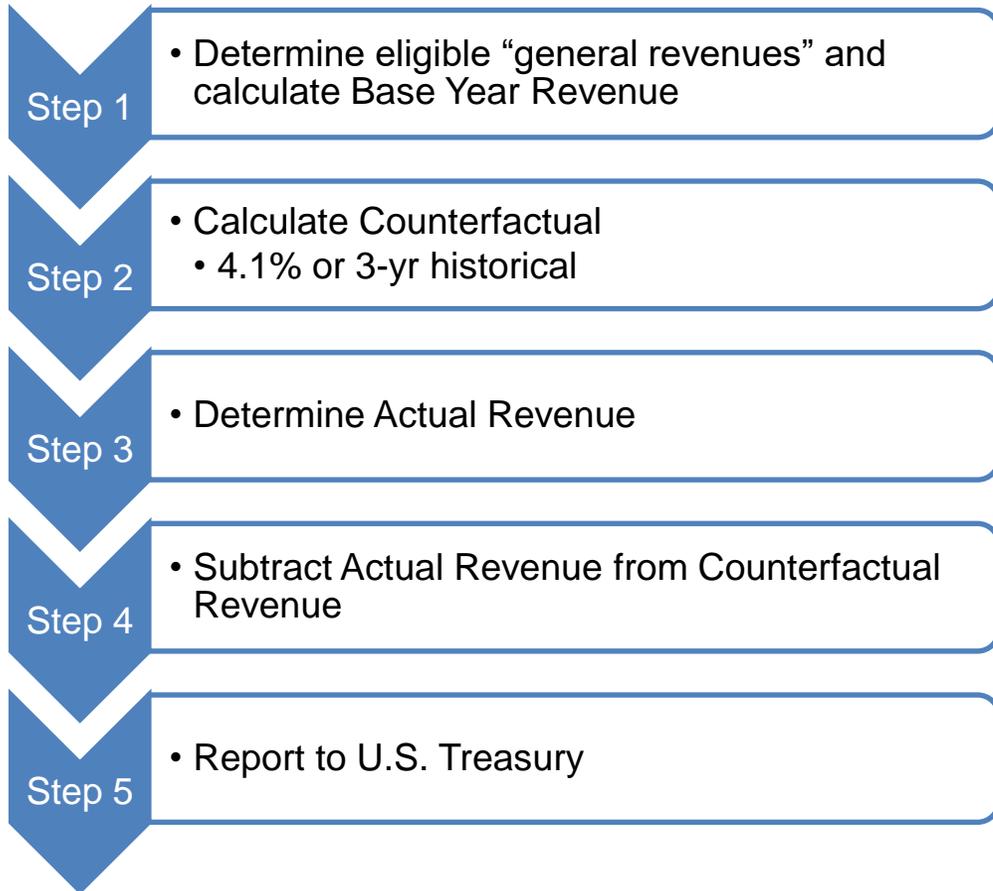
Revenue Reduction Calculation

2020 Revenue Reduction Calculation Overview



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

Revenue Reduction Calculation

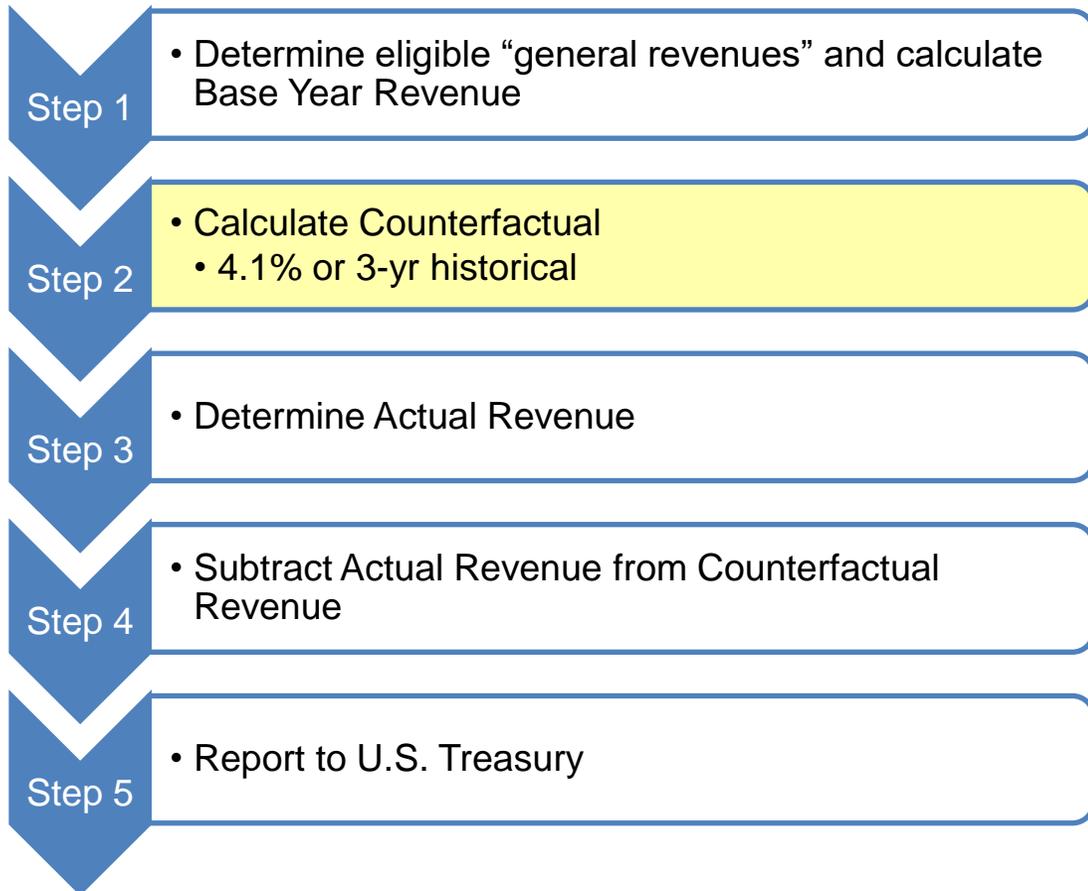


Formula for calculating revenue reduction

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

Variable	Description	Example Value
Base Year Revenue	General Revenue collected in the most recent full fiscal year prior <ul style="list-style-type: none"> • 2019 revenue 	\$2,500
Growth Adjustment	The greater of 4.1% or the recipients average annual revenue growth <ul style="list-style-type: none"> • 3-year historical average calculated to be 6.05% 	4.1% or 6.05%
n	Number of months elapsed since the end of the base year to calculation date <ul style="list-style-type: none"> • Using fiscal year end of April 30, 2019 	20
Actual General Revenue	Recipient’s actual revenue collected during 12-month period ending on each calculation date <ul style="list-style-type: none"> • 2020 revenue 	\$2,200

Revenue Reduction Calculation



Estimate Counterfactual Revenue (4.1%)

$$[(\$2,500) * (1 + .041)^{(20/12)}] = \$2,673$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	4.1%
n (assuming April 30, 2019 base year end)	20
Counterfactual using standard 4.1% growth adjustment	\$2,673

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 April 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)

$$[(\$2,500) * (1 + .0605)^{(20/12)}] = \$2,757$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	6.05%
n (assuming April 30, 2019 base year end)	20
Counterfactual using 6.05% growth adjustment	\$2,757

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

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Estimate Counterfactual Revenue (Average Annual Revenue Growth)

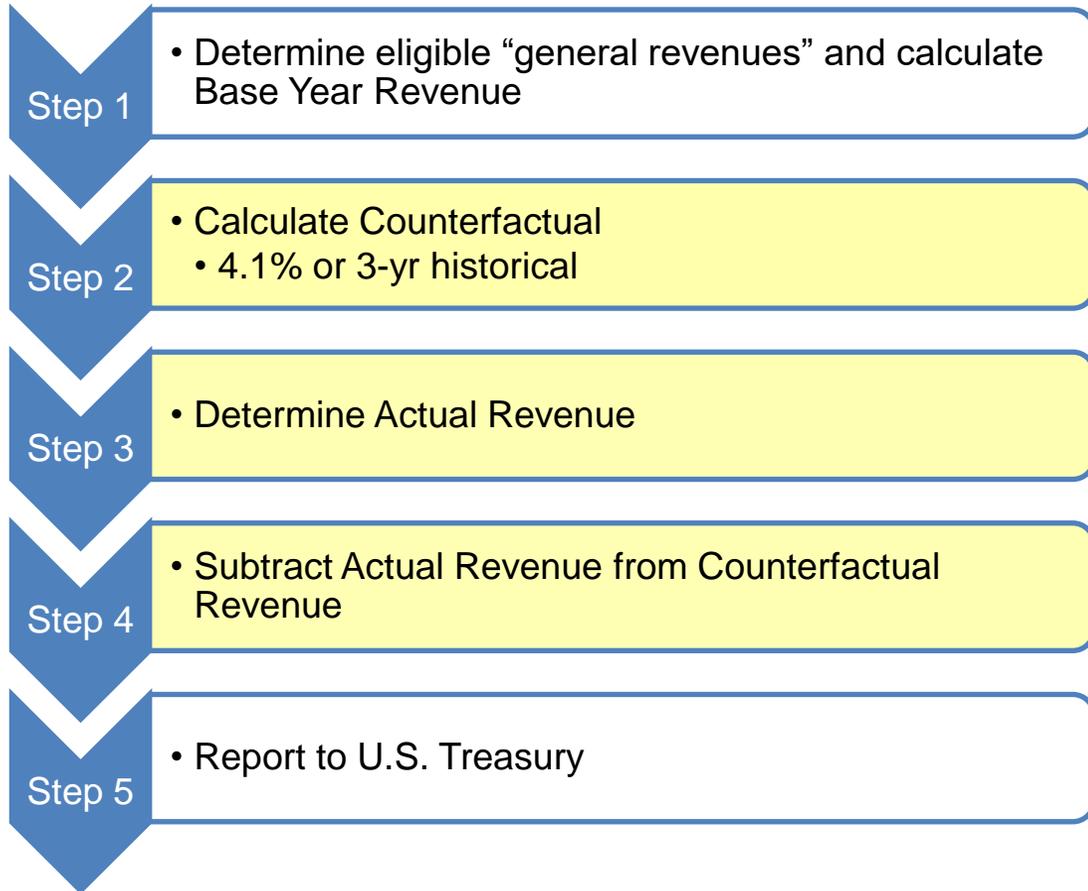
$$[(\$2,500) * (1 + .0605)^{(20/12)}] = \$2,757$$

Variable	Value
Base Year Revenue	\$2,500
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Counterfactual using standard 4.1% growth adjustment	\$2,673

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	6.05%
n (assuming April 30, 2019 base year end)	20
Counterfactual using 6.05% growth adjustment	\$2,757

Higher counterfactual revenue total is found using historical average growth adjustment of 6.05% and therefore will be used to calculate revenue loss amount.

Revenue Reduction Calculation



Formula for calculating revenue reduction (Average Annual Revenue Growth)

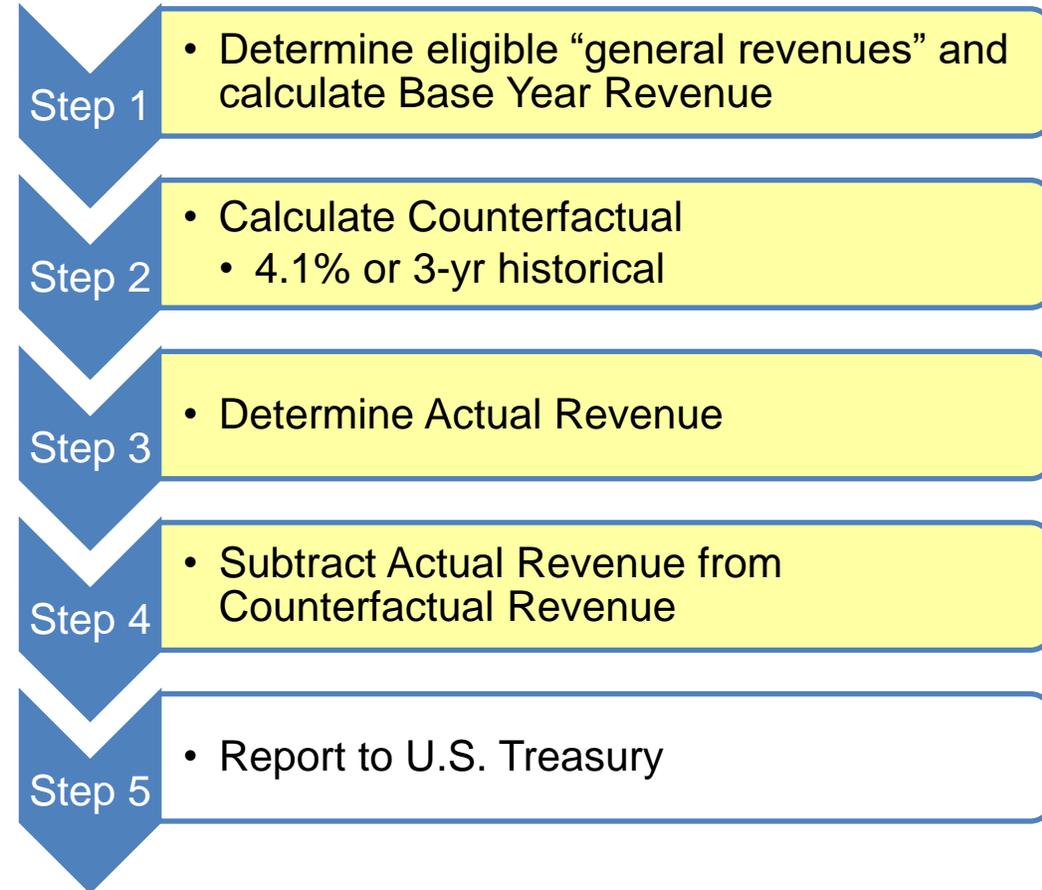
$$[(\text{Base Year Revenue}) * (1 + \text{Growth Adjustment})^{(n/12)}] - [\text{Actual General Revenue}]$$

$$[(\$2,500) * (1 + .0605)^{(20/12)}] - [\$2,220] = \mathbf{\$557}$$

Variable	Value
Base Year Revenue	\$2,500
Growth Adjustment	6.05%
n (assuming April 30, 2019 base year end)	20
Actual General Revenue	\$2,200
Revenue loss using 6.05% growth adjustment	<u>\$557</u>

Revenue Reduction Calculation

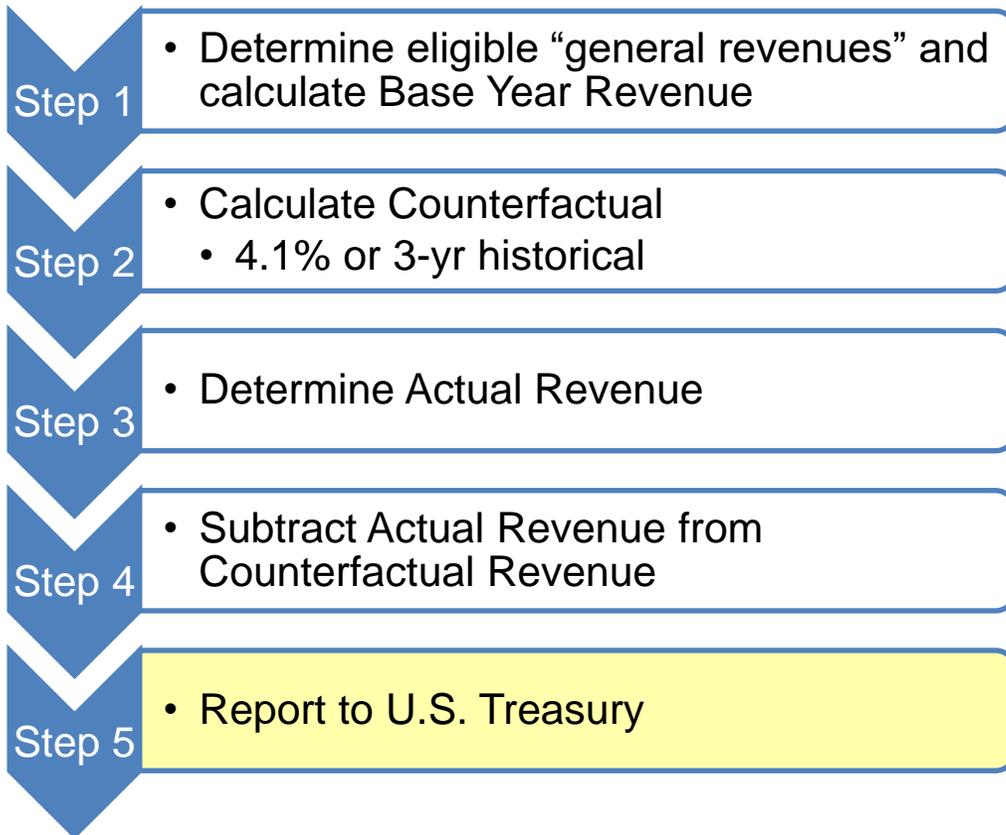
Step	Formula	4.1% Growth Adjustment	3-yr Historical Growth Adjustment
1. Identify Base Year Revenue	Revenue for the full fiscal year prior to January 27, 2020	\$2,500	\$2,500
2. Estimate Counterfactual Revenue	(Base Year Revenue) * [(1+Growth Adjustment) ^(n/12)]	(\$2,500) * [(1 + .041) ^(20/12)] = \$2,673	(\$2,500) * [(1 + .0605) ^(20/12)] = \$2,757
3. Identify Actual Revenue	Revenue collected over the past 12 months	\$2,200	\$2,200
4. Determine Reduction in Revenue	(Counterfactual Revenue) – (Actual Revenue)	\$2,673 - \$2,200 = \$473	\$2,757 - \$2,200 = \$557



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

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?

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

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

Or send an email to: 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 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 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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Resources

- [U.S. Treasury State and Local Fiscal Recovery Fund Webpage](#)
- [U.S. Treasury State and Local Fiscal Recovery Fund FAQs](#)
- [Cook County ARPA Webpage](#)
- [U.S. Treasury Portal User Guide for Recipients](#)
- [U.S. Treasury Compliance & Reporting Guidance](#)
- [State of Illinois Non-Entitlement Unit Webpage](#)