

Questions & Answers for O-262-24

O-262-24 Funding Swap – ARP State & Local Fiscal Recovery Funds (ARP SLFRF) for General Fund

Q1. What does this proposed ordinance do?

A1. The proposed ordinance changes the funding source for previously approved projects listed below from ARP SLFRF to General Fund dollars. This ordinance does not change the project amount or scope of any project. An equal amount (\$9,377,200.67) of LMPD personnel expense approved in the FY25 budget is changing from General Fund to ARP SLFRF as allowed by the US Department of the Treasury.

The \$707,719.72 general fund increase to the Office for Safe and Healthy Neighborhoods FY25 Operating Budget is to fund Restorative Justice for which ARP funds were appropriated by Metro Council in Ord. No. 168, Series 2021 (LAT-0063).

The \$163,513.43 general fund increase to the Office for Safe and Healthy Neighborhoods FY25 Operating Budget is to fund Ambassador Institute for which ARP funds were appropriated by Metro Council in Ord. No. 168, Series 2021 (LAT-0063).

The \$234,900.00 general fund increase to Office of Resilience & Community Services FY25 Operating Budget is to fund the Landlord Incentives project for which ARP funds were appropriated by Metro Council in Ord. No. 116, Series 2024 (LAT-0004).

The \$77,635.28 general fund increase to the Public Health & Wellness FY25 Operating Budget is to fund the harm reduction services for which ARP funds were appropriated by Metro Council in Ord. No. 116, Series 2024 (LAT-0004).

The \$6,845,580.18 general fund increase to the Housing & Community Development FY25 Operating Budget is to fund the Reversing Redlining project for which ARP funds were appropriated by Metro Council in Ord. No. 182, Series 2022 (LAT-0097).

The \$1,347,852.06 general fund increase to the Housing & Community Development FY24 Capital Budget is to fund the Rhodia Brownfields Remediation project for which ARP funds were appropriated by Metro Council in Ord. No. 119, Series 2024 (LAT-0075).

Q2. Why are we doing this?

A2. Benefits to Metro that will be achieved through this legislation include the following:

- 1) Ensures project completion is feasible by eliminating the 12/31/24 obligation and 12/31/26 spending deadlines that applies to ARP SLFRF.
- 2) Removes the federal reporting and compliance requirements for the grantees, thereby enhancing efficiency in their completion.
- 3) Eliminates the reimbursement requirement thereby relieving fiscal pressures on the impacted non-profit organizations. The non-profit organizations will have reporting requirements directly to Metro for all funds received.
- 4) Leverages the flexibility of ARP SLFRF revenue replacement by using it to the extent allowed by US Department of Treasury.

Q3. What is ARP SLFRF revenue replacement and how much does Metro have?

A3. ARP SLFRF may be used for eligible government services up to an amount equal to the revenue loss Metro has sustained over four fiscal years as a result of the COVID pandemic. Many of the ARP funded capital projects and Violence Intervention projects are in this category. The revenue loss calculation is completed each fiscal year and was recently refreshed based on FY23 financial statements, which is the fourth and final year. The FY23 calculation increased Metro's revenue loss by another \$58.2 million from \$193.3 million to \$251.5 million. If this legislation is passed it will leave \$11.8 million in revenue loss which may be leveraged for existing projects at risk of not meeting the spending deadline of 12/31/2026. There will be no further revenue loss calculations allowed by US Treasury.

Q4. Why not use all the allowable revenue loss funds in this category now?

A4. It is our recommendation we wait and see if we need to leverage these dollars to perform a general fund swap for any projects at risk of not meeting the spending deadline of 12/31/2026. Holding back a portion of the revenue loss pool until 2025/2026 will allow Metro to make better-informed and strategic decisions about how to maximize the total ARP SLFRF award. We may find that we won't need to leverage this at all. If we used it all now, we won't have that option in the future.

Q5. Have we done this type of funding swap between ARP SLFRF and General Fund before?

A5. Yes:

- Ord. No. 087, Series 2021: \$11.1 million in public safety salaries were transferred from LMPD General Fund to ARP SLFRF (LAT-0001 / ARP-0046-LMP)
- Ord. No. 197, Series 2021: \$15 million in public safety salaries were transferred from LMPD General Fund to ARP SLFRF (LAT-0070 / ARP-0098-OMB)
- Ord. No. 20, Series 2024: \$44 million in public safety salaries were transferred from LMPD General Fund to ARP SLFRP (LAT-0104 / ARP-0097-OMB)

Please contact Ken Hillebrand if you have any questions or need additional information.



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