

Potential Uses of CARES Act Allocation Reimbursements: Opportunity Funds and Leveraging Possibilities

Current and potential future CARES Act reimbursements pose budgeting choices for these funds by the City and Town governing bodies.

Prepared by Randy Ewing, OMMS Consultant

Background

In the fall of 2020, the State of Oklahoma distributed CARES Act funds to cities and towns in Oklahoma, providing a unique opportunity for municipalities. The funds are a true “reimbursement” for amounts already spent, and are not dedicated to any specific purpose by the State, thus allowing each municipality to evaluate their specific needs to determine local priorities. This outline is intended to provide some guidance of factors that should be considered in the process of evaluating of needs of the municipality, all with the understanding that each municipality will have the authority to make their own decision.

Non-Recurring Funds

These funds are non-recurring and therefore once budgeted for a specific purpose, would not be repeated in the subsequent fiscal year, and therefore would typically not be used for the municipality for new positions or other recurring costs. For example, while these funds may be reimbursed through public safety expenses, as non-recurring funds they should not be spent twice for the same thing. Typically, Collective Bargaining expenses

are based upon annual recurring revenues, and creating a future funding liability for non-recurring funding would not be sound financial practice.

Reserves and Cash Flow

Other than using these funds to cover a budget shortfall, perhaps the most critical use would be to fund the operating General Fund Reserve which usually should be a minimum of 15 to 20 percent of the annual General Fund Budget. Especially, for smaller communities, the Reserve may play a key role in cash flow. In addition to this Operating Reserve, many communities establish an Infrastructure Reserve to back up budgeted infrastructure projects funded by bond issues and/or grants in order to protect against cost over-runs and unforeseen project circumstances.

Leveraging Your Funds

There are of course a number of other ways to allocate these one-time funds. Ideally, the municipality would leverage these funds - that is, use the funds for greater benefit than the amount of the reimbursement to produce a greater amount of benefit. For example, if the municipality wanted to stimulate facade improvements on Main Street, it might offer a local matching grants program to what the business owners would fund up to a certain amount or perhaps offer outright lump sum "mini" grants defined for a particular use.

Other leveraging might be to put the funds aside within the Utility Trust for the municipality to extend certain infrastructure for development purposes to be reimbursed to the Utility

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Trust over time as connections are made by the developer or user. (This type of use actually keeps the money available since it ultimately is paid back and becomes a revolving fund.) There might be many opportunities related to economic development matters that would in effect leverage these funds.

Another long lasting use of these one-time funds would be to contract for planning documents that have been deferred for lack of priority in budgeting, but which would greatly assist long-term planning and budgeting as well as economic development: Such documents as a Comprehensive Land Use and Development Plan; a Master Utility Atlas; Specific Economic Development Project design, graphics, budgets, etc. - to facilitate these projects with the private sector. Again, in these types of uses these funds can be leveraged further with municipal partners such as local universities, public schools the County, State and Federal Government - perhaps used as “matching” funds.

Please contact Oklahoma Municipal Management Staff for any assistance you might need in “Making a Difference” for your local community operations and economy.