



## Memorandum

**TO:** Members of the City of Bloomington Common Council

**FROM:** Gretchen Knapp, Deputy Mayor  
Jessica McClellan, City Controller  
Margie Rice, Corporation Counsel

**CC:** Stephen Lucas, Council Attorney

**RE:** Appropriation Ordinance 2024-01

**DATE:** January 10, 2024

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### Summary

Ordinance 24-01 addresses two financial accounting matters.

First, it fixes a clerical error that inadvertently closed a 2022 Purchase Order supplying ARPA funds that the City Council appropriated in late 2021 for a grant to the United Way of Monroe County to implement the Heading Home report strategies for tackling housing insecurity.

Second, it performs the annual task of moving funds already budgeted for the City’s Restricted Motor Vehicle Highway Fund, per State Board of Accounts (SBOA) requirements, to a different subaccount that the City must create for such funds in order to comply with the Department of Local Government Finance (DLGF) requirements. The SBOA and the DLGF each have differing requirements related to these funds. In order to try and comply with both SBOA and DLGF requirements, the City budgets the funds into the Restricted Fund and then, at the beginning of each year, transfers the funds to the Motor Vehicle Highway Fund each year via Council approval.

### Background

#### *Additional appropriation of United Way ARPA grant funds*

On January 4, 2022, the City entered into a grant agreement with the United Way of South Central Indiana, Inc. d/b/a United Way of Monroe County (“United Way”), whereby the City would provide United Way with \$2.7 million in America Rescue Plan Act (“ARPA”) funds to

implement the long-term strategies for combating housing insecurity defined in Heading Home 2021: A Regional Plan for Making Homelessness Rare, Brief and Non-Repeating (“Heading Home Report”). HAND opened Purchase Orders 2021-9127 and 2022-10072 to fund the grant agreement. The Purchase Orders were supported by two appropriations of ARPA funds made by the City Council in 2021 – an August 2021 appropriation of \$1.2 million specifically for a grant to the United Way for these purposes, and a subsequent appropriation of \$1.565 million as part of the Council’s approval of the 2022 budget for the Housing and Neighborhood Development Department (“HAND”), to enable HAND to “work with partners to establish resource hubs, help with reunification of the unhoused with families and loved ones, provide dollars for community shelters, and provide additional funding to the Heading Home Initiative.” (HAND 2022 Budget Memo).

The City transferred the first tranche of appropriated funds (\$1.2 million) following execution of the grant agreement. \$1.5 million remained in the open 2022 Purchase Order for subsequent transfer.

The City originally expected that the full \$2.7 million for the grant agreement would be funded with City ARPA funds identified to the Treasury Department’s Revenue Loss Category. As the City developed and finalized the 2024 budget, however, it determined that the funds not yet used by the United Way should be identified to other ARPA expenditure categories. Because certain different reporting and other compliance obligations apply to the use of ARPA funds identified to those other expenditure categories, the parties agreed in December 2023 to amend the original grant agreement. The amendment did the following things:

1. Extended the original grant agreement, which was set to terminate on December 31, 2023, through January 31, 2024.
2. Declared the first phase of activity under the grant, funded with \$465,000 in ARPA funds identified to the Revenue Loss Category, completed as of January 31, 2024.
3. Froze the further use of ARPA funds in United Way’s possession, and the transfer of the final \$1.5 million, all of which would be identified to ARPA expenditure categories other than Revenue Loss, pending execution of the parties by January 31, 2024 of a Sub-recipient Agreement that would replace the original grant agreement and contain the necessary terms governing the use of those funds.

In late December 2023, while the City and United Way were reviewing and discussing a draft Sub-recipient Agreement, HAND inadvertently included Purchase Order 2022-10072 on the end-of-year list of PO’s to close out which it provided to the Controller’s Office. The Controller’s Office therefore reflected the closure of Purchase Order 2022-10072 in its end-of-year report to the Indiana Department of Local Government Finance (DLGF). Neither HAND nor the Controller’s Office intended to close out Purchase Order 2022-10072, which they intended to

leave open to allow for the transfer of the remaining grant funds to the United Way per the amended grant agreement and following execution of the Sub-recipient Agreement. The Controller's Office confirmed that per DLGF rules they could not reopen Purchase Order 2022-10072 and that they would need therefore to have the funds additionally appropriated in 2024 and a new Purchase Order opened.

City staff promptly notified the United Way and members of the incoming administration of this clerical error, and advised that the appropriate way to fix this error would be to pursue an additional appropriation in the first quarter of 2024 of the final \$1.5 million in grant funds pledged to support United Way's implementation of the Heading Home Report. Ordinance 24-01 is drafted to accomplish this.

A Sub-recipient Agreement with United Way will either be executed with United Way by January 31, 2024 or United Way and the City will extend that deadline via an Addendum to the Amendment to provide additional time, if necessary, for negotiations.

### ***Movement of already appropriated Motor Vehicle Highway Restricted Funds to subaccount of single MVH Fund***

The Comptroller of the State of Indiana annually distributes funds to the City from the state's Motor Vehicle Highway and Local Road and Street Accounts ("MVH funds"), which are funded through a combination of fuel taxes, vehicle registration costs, and other transportation-related fees.

Per state code, at least 50% of the City's distribution must be spent on construction, reconstruction, or preservation of the City's highways. Ind. Code 8-14-1-5(c). "Highways" is defined to include "roadway, rights of way, bridges, drainage structures, signs, guard rails, protective structures in connection with highways, drains, culverts, and bridges and the substructure and superstructure of bridges and approaches thereto and streets and alleys of cities or towns." Ind. Code 8-14-1-1(3).

The City's annual budgeting and expenditure of MVH funds complies with these restrictions – that is, the City reserves at least 50% of its annual MVH funds distribution for restricted uses each year. However, the State Board of Accounts (SBOA), which audits local government expenditures for compliance with state law requirements, and the Department of Local Government Finance (DLGF), which reviews and approves property tax assessments and local government budgets, do not agree on how local governments should account for such funds. Specifically, the SBOA requires local governments to create two separate "funds," called the MVH Fund and MVH Restricted Fund, to house the respective allocations approved by City Council, while the DLGF requires local governments to maintain a single MVH Fund with restricted and unrestricted sub-accounts that are not listed on the City's annual financial and operational reports as "funds."

To accommodate both agencies, the City annually performs the following steps:

1. Develops its proposed budget for Council approval with appropriations for an MVH Fund and MVH Restricted Fund
2. Following approval of the budget, requesting Council to appropriate or transfer the already-budgeted funds for the MVH Restricted Fund into the MVH Fund, after which the Controller's Office records the moved funds in a restricted sub-account.

Since the movement of MVH restricted funds into a single "MVH Fund," requires Council action, as does the additional appropriation of the ARPA funds discussed above, we have combined the two matters into this one additional appropriation Ordinance for efficiency. The movement of MVH funds only requires a transfer and not an additional appropriation; however, it can be accomplished through this single Ordinance.

Attachments:

January 4, 2022 Grant Agreement with the United Way

December 26, 2023 Amendment to the Grant Agreement

SBOA Directive 2018-2